熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Hong Kong Stock Code: 00686

Annual Report 2019

CONTENTS

LETTER TO INVESTORS

DEAR VALUABLE INVESTORS,

Year 2019 was a year of continuous deepening for the global energy revolution. The global energy supply and demand pattern has been undergoing profound adjustment. High efficiency, cleanliness and diversification have become the main characteristics of future development. Global renewable energy investment continues to grow. Likewise, China continued to deepen its efforts to develop a clean, low-carbon, safe and highly efficient energy system, resulting in continuously optimising energy structure and increasingly prominent role of renewable energy as a clean alternative, which becomes an important breakthrough point for China's future high-quality energy development. According to the statistics from National Energy Administration of China, at the end of 2019, the installed capacity of China's renewable energy power generation reached 794 gigawatts ("GW"), representing a year-on-year increase of approximately 9% and accounting for approximately 39.5% of the total installed capacity of power generation, up by 1.1 percentage points year on year. Among these, the installed capacities of photovoltaic power generation and wind power generation reached 204GW and 210GW, up by approximately 14.0% and approximately 17.3% year on year, respectively. The installed capacities of clean energy including photovoltaic power and wind power grew much faster than those of conventional energy.

Looking back on 2019, Panda Green Energy Group Limited ("Panda Green" or the "Company", collectively with its subsidiaries, the "Group") and its associates closely followed the national development strategy of China, adhered to the concept of green development and managed to build up its green brand influence by continuously improving its operation and management level. Meanwhile, the Group actively fulfills its corporate social responsibilities by making valuable contribution in the field of clean energy promotion, targeted poverty alleviation and coping with climate change, with an aim to support enterprise in realising simultaneous enhancement in terms of economic, environmental and social benefits.

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I hereby present the annual results of Panda Green for the year ended 31 December 2019:

In 2019, the Group recorded revenue of approximately RMB2,168 million with the cumulative installed capacities of clean energy were approximately 2GW in 2019 and have generated approximately 3,172,916 megawatt hours ("MWh") of green electricity for the entire 2019. We are incredibly grateful to have our shareholders' long-term trust and support that has given us the confidence to face the multiple pressures of intensified industry competition, severe external financial market conditions, and lagging government subsidy funds, allowing us to maintain a healthy development trend and achieve today's success.

1. PHOENIX NIRVANA, INTRODUCING STRATEGIC SHAREHOLDERS AND OPTIMISING THE SHAREHOLDING STRUCTURE

On 18 February 2020, Beijing Energy Holding Co., Ltd. ("BEH") completed the subscription of approximately 7.177 billion shares (representing a shareholding of approximately 32%) of Panda Green through its offshore investment and financing vehicle (i.e. Beijing Energy Investment Holding (Hong Kong) Co., Limited ("Beijing Energy Investment") and became the largest shareholder of Panda Green. BEH is a Grade A enterprise subordinated to Beijing which has accumulated extensive experience on investment, operation and management of the clean energy industry, especially the photovoltaic power industry in China. It has long been committed to facilitating the rapid development of the clean energy industry such as wind power and photovoltaic power. In 2019, BEH recorded total assets and total profits over RMB300,000 million and RMB5,000 million, respectively.

LETTER TO INVESTORS

As a pilot enterprise of the first batch of Beijing state-owned capital investment companies, BEH's strategic investment in Panda Green is a major exploration step for the state-owned enterprise reform system and mechanism innovation. It is also an important layout of BEH's medium- and long-term development plan for clean energy. BEH will make good use of the advantages of and the resources from large state-owned enterprise shareholders in industry resources, group credit and professional management, and work with many shareholders, such as China Merchants, QCCI and ORIX, to give Panda Green a full range of support, with an aim to make Panda Green to become an important platform for BEH's clean energy strategy and a platform company for overseas businesses.

Phoenix Nirvana means, a new lease of life. With the support of all shareholders of the Company (the "Shareholders"), Panda Green will further optimize the asset quality of the Company, in order to improve the debt structure and cash flow level, and reduce historical burdens. Panda Green will adhere to "development is the first priority" to create more value for Shareholders.

2. SEEKING LONG-STANDING DEVELOPMENT WITH PRUDENCE BY ENSURING THE HEALTHY AND STEADY GROWTH OF THE COMPANY

On 26 December 2019, Panda Green's Runner Project in Baotou, Inner Mongolia successfully realised grid-connected generation. The project is the second grid-connected Runner Project in the bases located in mining subsidence areas of Baotou and also the sixth Panda Photovoltaic Power Plant of the Company. The project has a total installed capacity of 50MW and average annual electricity generation volume of approximately 86.45 million kWh, which means a saving of 7,976 tons of standard coal, a reduction of carbon dioxide emissions of approximately 3,200 tons, a decrease in deforestation of approximately 28,000 cubic metres and providing approximately 67,000 electricity-lighted households with green energy each year. The establishment of the project could, on the one hand, constantly generate clean energy to help realise energy utilisation transformation in mining subsidence areas and support the improvement in the quality of atmospheric environment and, on the other hand, address the idle land problem in mining subsidence areas, giving new vitalities to idle lands and thereby promoting the comprehensive ecologic environment governance in subsidence areas and the development of the local economy.

In 2019, the Company focused on the improvement of internal operation and management, which outlined the transformation from "extensive management model of pursuing expansion" into "delicacy management model of enhancing quality and effectiveness". On the one hand, the Company took serious measures in operation and management of its power plants, which contributed to the achievement of objective of safety production with zero incident in all power plants throughout the year. Furthermore, the utilization hours of power generation increased through benchmarking externally, strengthening the investigation of potential safety hazards and repair and maintenance. As a result, the forecast of annual planned electricity generation volume has been exceeded. On the other hand, the Company strengthened budget management and cost control by adhering to the "austere life" concept, thereby successfully reducing the operating costs.

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Moreover, the grant of subsidies for electricity tariffs has brought positive impacts to the improvement of cash flows of the power plants, and further enhanced the confidence of Panda Green in the future development. During the period from January to December 2019, the Company received renewable energy subsidy fund registered into the 5th, 6th and 7th batches of the Subsidy Catalogue, with a total amount of RMB871 million. In April 2020, the Company promptly started the application for Tariff Subsidy Project List for renewable energy (subsidy fund of the "eighth batch" of the Subsidy Catalogue) and expects that the power plants within the application will be registered into the Subsidy Catalogue.

3. KEEPING GREEN DEVELOPMENT TO FACILITATE THE TRANSITION OF ENERGY INDUSTRY INTO A CLEAN AND LOW-CARBON MODEL

Vigorously developing renewable energy, effectively addressing climate change and promoting the transition of energy structure to a clean and low-carbon model are not only a widely shared consensus around the world but also the core of China's energy transformation. Panda Green has been responding positively to the call of the state by practising green concept and has made its contributions in terms of green development, responsibility fulfillment and social dedication.

At the "Promotion Event of MFA of the PRC Presenting Shanxi to the World" in February 2019, Panda Power Plant in Datong, Shanxi was presented as a model of energy transformation in Shanxi in the news release hall of the Ministry of Foreign Affairs of the PRC ("MFA") and received considerable attention from foreign governments, enterprises and media. Besides, Panda Power Plant in Datong was also showcased as a charming project in the 8-minute bilingual promotional video released by the MFA at site.

In May 2019, at the "First Award Presentation Ceremony of the Best Listed Companies in Greater China" organized by Gelonghui, Panda Green was granted the "Best Social Responsibility Award of Hong Kong Listed Company". At the 2019 China Enterprise Excellence Awards Ceremony, Panda Green was rewarded the "Best Social Responsibility Award" by the sponsor. Panda Green commits to develop green energy brand continuously and will continue to promote advanced green energy technologies, disseminate green concept and play the leading role in innovation.

4. LOOK FORWARD TO THE FUTURE AND PANDA GREEN CAN SET SAIL AGAIN

"What's past is prologue". With the full support of all Shareholders, Panda Green successfully overcame obstacles in the past year by adoption of various measures. In respect of internal operation, the Company strengthened management by maintaining stability, promoted the safety production, and improved effectiveness with cost control. In respect of external aspects, the Company sought breakthroughs by exploring cooperation opportunities, strived for development by adjusting layout, resulting in the growing revenue with lower expenses.

Looking forward, I have full confidence. Despite of the uncertainties against the global economy, especially for the great challenge in short term, green and low-carbon are still the general trends of the new era, which continues to be the clear and obvious development direction in the future. After a series of changes, Panda Green will present its brand new profile to the Shareholders. BEH will committed to building Panda Green as a pilot platform for mixed ownership of state-owned enterprises after it becomes the major shareholder of Panda Green, thus to make it bigger, better, and stronger. Panda Green will also return to the essence of marketization and focus on its primary business as always, and dedicate to the goal of enhancing Shareholders' benefits and value creation, thus accelerating the ecological layout of the clean energy industry and building its own core competitiveness.

LETTER TO INVESTORS

We will accelerate the optimisation of assets allocation, and strengthen the utilisation of capital resources and market development, and highlight the integrated management. In addition to existing photovoltaic power business, the Company will proactively tap into other clean energy markets such as wind power, and explore various types of energy including hydrogen energy and energy storage. By leveraging its financing strength, the Company will maintain fast growth and realise scale expansion and intensive development, in a bid to build itself as a large scale company.

Through fully utilization of the market mechanism, we will further optimise the organizational structure, risk control, and incentive and constraint system. Furthermore, the Company will strengthen benchmarking against industry to improve the internal operation and management and establish a compliance and efficient internal corporate governance system of modern enterprises. Therefore, the Company can achieve healthy and steady development as a sustainable company.

By adhering to the green development ideas, we will combine the green energy development with local poverty relief, and benefit the poor villagers adjacency to our projects by promoting local employment, so as to make contributions to the development of local economy and the society. The Company will build itself as an accountable company through practically performing corporate social responsibilities.

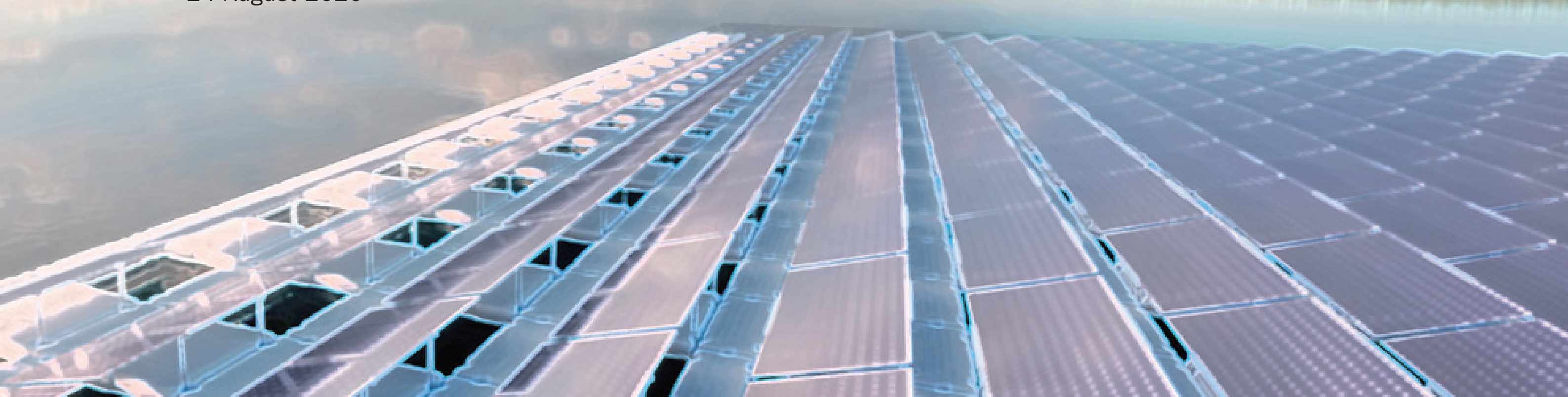
We will keep abreast of the developments of high technology and new technique in the industry and encourage technical innovation, such as enhancing the application and transformation of advanced energy technology including thin film power generation. By intensively cultivating its clean energy value chains, the Company is dedicated to becoming a leading player in the market segment, and building itself as an innovative company.

By unwavering commitment to strategic transformation and conceptual changes of Panda Green, we will focus on satisfying customers' need in future, and strive to construct a clean energy ecosystem with principle green energy, multi-energy complementation and smart collaboration. Through this, the Company can raise its valuation and brand competitiveness to become an international leading investing operator of ecological integration of clean energy, building itself as a company of great value.

Lastly, on behalf of the Board and the team of management of the Company, I would like to once again express my sincere gratitude to all Shareholders, investors and friends from all circles in the society for their continuous support and trust to the Company and thank everyone who has rendered support and help to Panda Green, and all employees in Panda Green for their hard work.

/Signature/Zhang Ping
Chairman of the Board, Executive Director and Chief Executive Officer
Zhang Ping

24 August 2020



COMPANY PROFILE

Panda Green Energy Group Limited ("Panda Green" or the "Company", together with its subsidiaries, the "Group") is a leading supplier of eco-development solutions, mainly specialised in the investment and operation of renewable energy. As of 31 December 2019, the Group and its associates/joint ventures owned 61 renewable energy power plants with an aggregate installed capacity of approximately 2GW, and have generated approximately 3,172,916 megawatt hours ("MWh") of green electricity for the entire 2019. Our power plant network covers various provinces/autonomous regions including Gansu, Inner Mongolia, Qinghai, Jiangsu, Guangdong, Xinjiang, etc.

Listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company is a constituent stock of Hang Seng Composite Index, Hang Seng Global Composite Index and MSCI Global Small Cap China Index. Under the rapid growth of the renewable energy industry, Panda Green has attracted many strong investors, including BEH (an integrated energy service provider of Beijing City), China Merchants New Energy under China Merchants Group, China Huarong (one of the four major asset management companies in China), QCCI (a state-owned enterprise) and ORIX (an international large-scale group providing integrated financial services).

Panda Green aims on building the most efficient and advanced renewable energy operation and maintenance platform, and establishing a green ecosphere by employing a low-carbon and sustainable development model, in order to bring clean energy into millions of families.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Ping *(Chairman and Chief Executive Officer)*
Mr. Lu Zhenwei
Mr. Xu Jianjun

Non-Executive Directors

Mr. Sui Xiaofeng
Mr. Chen Dayu
Mr. Li Hao
Ms. Xie Yi
Mr. Yu Qiuming

Independent Non-Executive Directors

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Chen Hongsheng

BOARD COMMITTEES

Audit Committee

Mr. Kwan Kai Cheong *(chairman)*
Mr. Sui Xiaofeng
Mr. Yen Yuen Ho, Tony

Remuneration Committee

Mr. Yen Yuen Ho, Tony *(chairman)*
Mr. Kwan Kai Cheong
Mr. Chen Dayu

Nomination Committee

Mr. Zhang Ping *(chairman)*
Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony

Risk Control Committee

Mr. Zhang Ping *(chairman)*
Mr. Lu Zhenwei
Mr. Sui Xiaofeng
Mr. Chen Dayu
Mr. Li Hao
Mr. Kwan Kai Cheong

Strategy Committee

Mr. Yu Qiuming *(executive chairman)*
Mr. Sui Xiaofeng

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

SOLICITORS

Bermuda

Conyers Dill & Pearman

Hong Kong

Ashurst Hong Kong

Mainland China

The Shanghai Operation of Dacheng Law Offices
(Dacheng Shanghai)

PRINCIPAL BANKERS

Bangkok Bank Public Company Limited
Bank of Beijing
Bank of China (Hong Kong) Ltd.
China Construction Bank Corporation
China Development Bank Corporation
China Everbright Bank
China Minsheng Banking Corp., Ltd.
Hua Xia Bank
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd.
Shanghai Pudong Development Bank
The Export-Import Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Ocorian Management (Bermuda) Limited

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1012, 10th Floor, West Tower, Shun Tak Centre
168-200 Connaught Road Central, Hong Kong

WEBSITE

http://www.pandagreen.com

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Ping, aged 53, was appointed as an executive Director, the Chairman of the Board and the chief executive officer of the Company on 21 February 2020. He is also the chairman of each of the nomination committee and the risk control committee of the Company. Mr. Zhang also serves as the assistant to the general manager of Beijing Energy Holding Co., Ltd.*（北京能源集團有限責任公司）, being a controlling Shareholder of the Company, and a non-executive director of Datang International Power Generation Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 991) and the Shanghai Stock Exchange (stock code: 601991). Mr. Zhang served as the deputy director of the Party-masses Work Department, the director of the general manager work department, the assistant to the general manager, the secretary of the discipline inspection committee, the chairman of the labor union of Inner Mongolia Daihai Electric Power Generation Co., Ltd.*（內蒙古岱海發電有限責任公司）; the manager of the comprehensive management department and the vice president of Beijing Jingneng International Power Co., Ltd.*（北京京能國際能源股份有限公司）; the secretary of the Party Committee and the general manager of Inner Mongolia Daihai Electric Power Generation Co., Ltd.*（內蒙古岱海發電有限責任公司）; the general manager of Beijing Jingneng Thermal Power Co., Ltd.*（北京京能熱電股份有限公司）; the deputy chairman, the secretary of the Party General Branch and the general manager of Beijing Jingneng Power Co., Ltd.*（北京京能電力股份有限公司）, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600578); an executive director and the general manager of Beijing Jingneng Coal-fired Power Asset Management Co., Ltd.*（北京京能煤電資產管理有限公司）; the chairman and general manager of Beijing Jingneng International Power Co., Ltd.*（北京京能國際能源股份有限公司）; and a secretary to the board of directors and group office director of Beijing Energy Holding Co., Ltd.*（北京能源集團有限責任公司）. Mr. Zhang has over 30 years of extensive experience in the energy industry. Mr. Zhang obtained a master's degree in business administration from Fudan University and a doctorate degree in management from North China Electric Power University.

Mr. Lu Zhenwei, aged 49, was appointed as an executive Director of the Company on 10 June 2013, and is a member of the risk control committee of the Company. Mr. Lu is also a director and the chairman of the board of directors of each of China Merchants New Energy Group Limited and China Merchants Technology Holdings Company Limited, the deputy general manager of China Merchants Innovation Investment Management Limited*（招商局創新投資管理有限責任公司）, the general manager of Shenzhen China Merchants Yinke Investment Management Ltd.*（深圳市招商局銀科投資管理有限公司）, and the director of New Energy Exchange Limited. Mr. Lu previously served as a director of Beijing Huahuan Electronics Co., Ltd.*（北京華環電子股份有限公司）and China KZ High Technology Co., Ltd.*（中國科招高技術有限公司）. From May 2003 to May 2008, Mr. Lu served as a director of Shenzhen CAU Technology Co., Ltd.*（深圳中國農大科技股份有限公司）, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000004). Mr. Lu possesses profound understanding and unique insights in project financing and business operation and has more than ten years' experience in financial management, business management and project investment. Mr. Lu obtained a Bachelor's degree in economics from Shanghai Maritime University and a Master's degree in finance from Zhongnan University of Economics and Law.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Jianjun, aged 49, was appointed as an executive Director of the Company on 27 June 2019. Mr. Xu has served as deputy party secretary, general manager and a director of Qingdao Industrial Investment (Group) Co., Ltd.*（青島城投實業投資（集團）有限公司）, which is a wholly-owned subsidiary of the Company's substantial Shareholder, Qingdao City Construction Investment (Group) Co., Ltd., since December 2016, where he is responsible for overseeing the daily operation and management of the company. Mr. Xu has also served as executive director of Qingdao City Construction New Energy Investment Co., Ltd.*（青島城投新能源投資有限公司）since May 2018. From April 2016 to December 2016, Mr. Xu acted as the deputy general manager of Sheng Yuan Investment Co., Ltd.*（盛源投資有限公司）. Mr. Xu further acted as deputy manager of the securities investment and equity management department of Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd.（青島華通國有資本運營（集團）有限公司）from June 2015 to April 2016. From May 2008 to June 2015, Mr. Xu was the office manager of Qingdao Financing Guarantee Centre Co., Ltd.*（青島擔保中心有限公司）. Therefore, Mr. Xu has expertise in the equity financing and investment industry. Mr. Xu was awarded a Bachelor's degree of Arts from the Shandong University of Art & Design in 1996.

NON-EXECUTIVE DIRECTORS

Mr. Sui Xiaofeng, aged 39, was appointed as a non-executive Director of the Company on 29 June 2020. He is also the members of the audit committee, the risk control committee and the strategy committee of the Company. Mr. Sui also serves as the head of strategic development department of Beijing Energy Holding Co., Ltd.*（北京能源集團有限責任公司）, being a controlling Shareholder of the Company, and a director and general manager of Beijing Energy Investment Holding (Hong Kong) Co., Limited*（北京能源投資集團（香港）有限公司）, being a controlling Shareholder of the Company. Mr. Sui served as the general manager and deputy general manager of Beijing Yuanshen Energy Saving Technology Co., Ltd.*（北京源深節能技術有限責任公司）successively from March 2012 to April 2018; an assistant to general manager of Beijing Jingneng Clean Energy Co., Limited*（北京京能清潔能源電力股份有限公司）, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 579), from July 2010 to March 2012; a project manager and department manager and deputy manager of Beijing Jingneng Energy Technology Investment Co., Ltd.*（北京京能能源科技投資有限公司）successively from January 2005 to June 2010. Mr. Sui has extensive experience in the energy industry. Mr. Sui is a senior engineer in power engineering technology. He obtained a bachelor's degree and a master's degree in power engineering and engineering thermophysics from Tsinghua University.

Mr. Chen Dayu, aged 49, was appointed as a non-executive Director of the Company on 29 June 2020. Mr. Chen is also the members of the remuneration committee and the risk control committee of the Company. Mr. Chen also serves as the head of corporate management department of Beijing Energy Holding Co., Ltd.*（北京能源集團有限責任公司）, being a controlling Shareholder of the Company. Mr. Chen served as an executive director and general manager of Beijing Jingneng Gaoantun Gas Thermal Power Co., Ltd.*（北京京能高安屯燃氣熱電有限責任公司）from October 2010 to May 2020; the deputy general manager of Ningxia Jingneng Ningdong Power Generation Co., Ltd.*（寧夏京能寧東發電有限責任公司）from May 2009 to October 2010; the deputy general manager of Inner Mongolia Shangdu Power Generation Co., Ltd. *（內蒙古上都發電有限責任公司）from May 2007 to May 2009; the supervisor of Beijing Energy Investment Group Co., Ltd.*（北京能源投資集團有限公司）from October 2004 to May 2007; a thermal control engineer of Tianjin Dagang Power Plant（天津大港發電廠）of North China Gird Company Limited*（華北電網有限公司）from July 1992 to October 2004. Mr. Chen has extensive experience in the energy industry. Mr. Chen is a senior engineer of power engineering technology. He graduated from North China Institute of Electric Power*（華北電力學院）with a bachelor's degree in production process automation from the department of power engineering and received a master's degree in electrical engineering from Tsinghua University.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Hao, aged 38, was appointed as a non-executive Director of the Company on 20 March 2017, and is a member of the risk control committee of the Company. Mr. Li is concurrently the Operating Officer, the Deputy Head of East Asia Business Headquarters as well as the Managing Director of Greater China Group at ORIX Corporation, a diversified financial services company and whose shares are listed on the Tokyo Stock Exchange (securities code: 8591) and on the New York Stock Exchange (trading symbol: IX). Mr. Li has been with ORIX Corporation since October 2007. He is also the director and president of both ORIX Asia Capital Limited and ORIX (China) Investment Corporation*（歐力士（中國）投資有限公司）, which are wholly-owned subsidiaries of ORIX Corporation. Mr. Li has been serving as a non-executive director of Haichang Ocean Park Holdings Ltd., since 27 August 2018, whose shares are listed on the Stock Exchange (stock code: 2255) and a non-executive director of Shoucheng Holdings Limited, since 27 September 2018, whose shares are listed on the Stock Exchange (stock code: 697). Mr. Li graduated from the Graduate School of Finance, Accounting and Law at Waseda University in Japan with a Master's degree in business administration for finance. He has more than 12 years of experience in the fields of investment banking and finance.

Ms. Xie Yi, aged 33, was appointed as a non-executive Director of the Company on 22 January 2019. Ms. Xie is concurrently the director of the institutional business department of China Galaxy International Securities (Hong Kong) Co., Limited, and has extensive experience in financial investments and corporate sales of financial institutions. Previously, Ms. Xie was the co-director of the private equity department of CLSA Limited and worked in Hua Lian New Energy Technology Limited, Guotai Junan International Holdings Limited, whose shares are listed on the Stock Exchange (stock code: 1788), Sinolink Securities Co., Ltd*（國金證券股份有限公司）, whose shares are listed on the Shanghai Stock Exchange (stock code: 600109), and its investment consulting branch in Shanghai. Ms. Xie received a Bachelor's degree in economics from Durham University and a Master's degree in business administration from China Europe International Business School.

Mr. Yu Qiuming, aged 46, was appointed as an executive Director of the Company on 12 September 2017 and was re-designated to a non-executive Director of the Company on 27 June 2019. He was appointed as co-chief executive officer of the Company on 17 July 2018 and resigned on 14 May 2019. He is also an executive chairman of the strategy committee of the Company. Mr. Yu also serves as the executive director of Amani Gold Limited, whose shares are listed on the Australia Securities Exchange (stock code: ANL), the chairman of board of directors of Poly Jiangshan Resources Co., Ltd.*（保利江山資源有限公司）and the vice chairman of Xinjiang Coal Exchange Center Co., Ltd.*（新疆煤炭交易中心有限公司）. Mr. Yu has extensive experience in investment, development and management in the fields of energy resources, mining, real estate and finance. Mr. Yu established the energy business segment under China Poly Group Corporation, namely Zhongmei Huali Energy Holdings Limited*（中煤華利能源控股有限公司）(formerly known as Poly Energy Holding Co., Ltd.*（保利能源控股有限公司）), where he served as president from July 2006 to December 2009, and currently serves as a director of that company. Mr. Yu also led the development and construction of the copper and zinc mineral project located at Katelixi, Qiemo, Xinjiang, China. Mr. Yu received a Bachelor's degree in resource and environment planning and management from Nanjing University in China.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Kai Cheong, aged 70, was appointed as an independent non-executive Director of the Company on 1 April 2011 and is also the chairman of the audit committee and a member of each of the remuneration committee, the nomination committee and the risk control committee of the Company. Mr. Kwan was previously the president and chief operating officer for Merrill Lynch & Co., Inc. (Asia Pacific region). Mr. Kwan is concurrently the managing director of Morrison & Company Limited, a business consultancy firm, and the chairman of the board of G.T. Land Holdings Limited, a commercial property company in China. Since 1 February 2007, Mr. Kwan has served as a non-executive director of China Properties Group Limited, a company listed on the Main Board of the Stock Exchange. He also serves as an independent non-executive director of Henderson Sunlight Asset Management Limited, the Manager of Sunlight Real Estate Investment Trust whose shares are listed on the Main Board of the Stock Exchange, and each of HK Electric Investments Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments), Win Hanverky Holdings Limited, Greenland Hong Kong Holdings Limited (formerly known as "SPG Land (Holdings) Limited"), and CK Life Sciences Int'l., (Holdings) Inc., all of whose shares are listed on the Main Board of the Stock Exchange. Mr. Kwan was previously an independent non-executive director of Dynagreen Environmental Protection Group Co., Ltd. from 22 January 2014 to 26 February 2018, whose shares are listed on the Main Board of the Stock Exchange. Mr. Kwan obtained a Bachelor's degree in Accounting from the University of Singapore in 1973, qualified as a chartered accountant in Australia in 1979 and has been a Fellow of the Hong Kong Institute of Certified Public Accountants since 1982. Mr. Kwan completed Stanford Executive Programme in 1992.

Mr. Yen Yuen Ho, Tony, aged 72, was appointed as an independent non-executive Director of the Company on 6 April 2011 and is also a member of each of the audit committee and the nomination committee, and the chairman of the remuneration committee of the Company. Mr. Yen is also an independent non-executive director of Jinchuan Group International Resources Co. Ltd and Alltronics Holdings Limited, both of whose shares are listed on the Main Board of the Stock Exchange, and an independent director of China Minsheng Jiaye Investment Co., Ltd*（中民嘉業投資有限公司）and Utopa Limited, a commercial property operating company in China and since 16 December 2016 served as an independent non-executive director of WWPKG Holdings Company Limited, whose shares are listed on GEM of the Stock Exchange. Mr. Yen also served as an independent non-executive director of Link Holdings Limited from 20 June 2014 to 16 October 2014, whose shares are listed on GEM of the Stock Exchange. Mr. Yen was previously a senior civil servant; from April 1994 to March 2007, he was the law draftsman of the Department of Justice, where he was responsible for drafting Hong Kong legislation and a member of The Law Reform Commission of Hong Kong. Mr. Yen is an adjunct professor at the Hong Kong Shue Yan University and the Beijing Normal University, an honorary court member of The Hong Kong University of Science and Technology and an honorary fellow of the Faculty of Education, The University of Hong Kong. He is the director of two secondary schools, the chairman of the executive committee of the Neighborhood Advice-Action Council and a legal advisor of Heep Hong Society's Executive Council. Mr. Yen is an honorary adviser to the Pok Oi Hospital and the Hong Kong Academy of Nursing, a managing director and legal advisor to the Shanghai Fraternity Association and an honorary legal advisor to the Friends of Scouting, Scout Association of Hong Kong. He also serves as a director of the Hong Kong Institute for Public Administration. From April 2009 to April 2015, Mr. Yen served as the vice chairman of the Lump Sum Grant Independent Complaints Handling Committee of the Social Welfare Department appointed by the Hong Kong SAR Government. He also served as a panel member of Review Board on School Complaints of the Education Bureau of HKSAR from January 2013 to January 2018. Mr. Yen is a solicitor in Australia, Hong Kong and the United Kingdom and a barrister of Australia.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Shi Dinghuan, aged 76, was appointed as an independent non-executive Director of the Company on 10 June 2013. Previously, Mr. Shi was a counselor of the State Council of the PRC and the 7th and 8th chairman of the China Renewable Energy Society. He is concurrently the invited deputy chairman of the China Energy Research Society, the honorary chairman of the China Association of Productivity Promotion Centre, and the chairman of the World Green Design Organization. Mr. Shi had worked in the Institute of Nuclear and New Energy Technology in Tsinghua University since November 1973. In October 1980, he joined the State Science and Technology Commission of the PRC ("SSTC"), the predecessor of the Ministry of Science and Technology of the PRC ("MOST"). He was appointed as the deputy division chief of the Forecasting Bureau of SSTC, deputy director of the Industrial Technology Bureau of SSTC, the director of the Department of Industrial Science and Technology of SSTC, and later served as the deputy director-general (directorate grade) of the Department of High and New Technology Development and Industrialization of MOST（科技部高新技術發展及產業化司副司長（正司級））. In June 1988, he also acted as the officer of the "Torch Programme（國家火炬計劃）" office of SSTC. Mr. Shi took the office of the Secretary General of MOST in August 2001. Since June 2003, he has been a member of the Mid-and-Long Term (2006–2020) Project Planning Office for National Science and Technology Development（國家中長期 (2006–2020)科學技術發展規劃領導小組）and the leader of the Strategic Research Group（戰略組組長）. In March 2004, Mr. Shi was appointed as a counselor of the State Council of the PRC. Mr. Shi has taken part in the formulation of the seventh Five-Year-Plan of National Economy and the Mid-and-Long-Term Plan of Technology Development 1991-2000. Mr. Shi has also contributed to the formulation of technology programmes and the implementation of key technology projects in hi-tech areas for the eighth and ninth and tenth Five-Year-Plans. He has taken part in various hi-tech industrialisation programmes, such as China National High & New Technology Industries Development Zones（國家高新區）, Enterprise Incubation, Productivity Centers, and Technology and Innovation Engineering. Mr. Shi, from June 2012 until May 2014, was an independent non-executive director of Guodian Technology and Environment Group Corporation Limited, whose shares are listed on the Stock Exchange (stock code: 1296). Mr. Shi graduated from the Engineering Physics Department, Tsinghua University in July 1967, majoring in Radiation Dosimetry and Protection.

Mr. Chen Hongsheng, aged 70, was appointed as an independent non-executive Director of the Company on 21 January 2019. Mr. Chen was the committee member of the 12th National Committee of the Chinese People's Political Consultative Conference. From 1993 to 2014, Mr. Chen held some important positions in China Poly Group Corporation Limited*（中國保利集團有限公司）("Poly Group") and its subsidiaries. Among others, Mr. Chen served as the chairman of Poly Group from January 2010 to May 2013, as an executive director of Poly Property Group Co., Limited (formerly known as Poly (Hong Kong) Investments Limited) ("Poly Property"), whose shares are listed on the Stock Exchange (stock code: 119), from January 2004 to June 2014, and as the chairman and an executive director of Poly Culture Group Corporation Limited ("Poly Culture"), whose shares are listed on the Stock Exchange (stock code: 3636), from December 2010 to November 2014. Poly Group is the holding company of Poly Property and Poly Culture. Mr. Chen obtained his bachelor's equivalent degree in Radio Remote Control & Telemetry from Beihang University (formerly Beijing Institute of Aeronautics) in December 1975. Mr. Chen was granted with the qualification of senior economist from State Bureau of Metallurgical Industry, the PRC, in August 2000.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

CHIEF FINANCIAL OFFICER

Mr. Huang Hui, aged 48, was appointed as a chief financial officer of the Company on 21 February 2020. Mr. Huang currently serves as a director and deputy general manager of Beijing Energy Group (Hong Kong) Co., Ltd.*（北京能源集團（香港）有限責任公司）, which is a controlling Shareholder of the Company, a director of Jingneng Group Finance Co., Ltd.*（京能集團財務有限公司）and a supervisor of Beijing Jingneng Clean Energy Co., Limited*（北京京能清潔能源電力股份有限公司）, the shares of which are listed on the main board of the Stock Exchange (stock code: 579). Mr. Huang served as a deputy head of management division of finance department and head of price control division of Inner Mongolia Power (Group) Co., Ltd.*（內蒙古電力（集團）有限責任公司）; a deputy manager of financial department of Beijing Jingneng International Power Co., Ltd.*（北京京能國際能源股份有限公司）; a chief accountant and secretary to the board of directors of Beijing Jingneng Thermal Power Co., Ltd.*（北京京能熱電股份有限公司）; a chief accountant of Beijing Jingneng Clean Energy Co., Ltd.*（北京京能清潔能源電力股份有限公司）and a chief accountant of its Beijing branch. Mr. Huang has extensive experience in finance and management. Mr. Huang graduated from the Department of Finance of Inner Mongolia University of Finance and Economics with a bachelor's degree in economics majored in monetary banking, and received a master's degree in business administration from North China Electric Power University.

* *For identification purpose only*

2019 HIGHLIGHTS

JANUARY

On 20 January 2019, China Merchants New Energy Group Limited ("CMNEG") and its parties acting in concert, China Huarong Overseas Investment Holdings Co., Limited ("Huarong Overseas"), Huaqing Solar Power Limited ("Huaqing") and Asia Pacific Energy and Infrastructure Investment Group Limited entered into share subscription agreements with Panda Green, respectively with the intention to increase the shareholding in Panda Green by investing a total amount of over HK$1.7 billion. The above transactions were approved at the special general meeting of Panda Green on 18 March 2019 and the new shares were successfully issued on 21 March 2019.

FEBRUARY

In the afternoon of 25 February 2019, the Shanxi Global Promotion Meeting themed with "China in the New Era: Shanxi, New Transformation for a Shared New Future" (新時代的中國：山西新轉型共享新未來) was held at the Press Hall of Ministry of Foreign Affairs. As the model of energy transformation in Shanxi, the Panda Power Plant at Shanxi Datong appeared at the Press Hall of Ministry of Foreign Affairs and seized extensive attention from foreign governments, enterprises and media.

MAY

On 10 May 2019, CPC 2019 4th Century Photovoltaic Conference & "PVBL 2018 China PV Brand Ranking Award" co-hosted by Century New Energy Network and Photovoltaic Brand Lab (PVBL) was held in Shanghai. Panda Green ranked among Top Ten Power Station Investor Brands in China of 2018 with its superiority in quality and brand.

On 31 May 2019, the "1st Greater China Best Listed Companies Awarding Ceremony" hosted by Gelonghui was held in Shenzhen. Panda Green won the "Most Socially Responsible Hong Kong Listed Company" award.

2019 HIGHLIGHTS

JUNE

On 13 June 2019, the delegation of East Asia Summit Clean Energy Forum composed of approximately 40 members visited Panda Green's Qianhai Photovoltaic Power Station. Panda Green answered the questions raised by and exchanged opinions with the delegation.

AUGUST

On 2 August 2019, Panda Green signed a memorandum of understanding with BEH in relation to the strategic cooperation. According to the aforesaid memorandum, BEH intends to subscribe new shares of Panda Green as a strategic investor, and will fully leverage on its advantages of capital, technology, assets and experience to push forward the core competitiveness of Panda Green.

SEPTEMBER

On 6 September 2019, the award ceremony of 2019 China Enterprise Excellence Awards was held in Hong Kong. Panda Green was rewarded the "Best Social Responsibility Award" by the sponsor thanks to its contributions to green development, social responsibility and devotion to the society.

OCTOBER

On 22 October 2019, Panda Green entered into a strategic cooperation agreement with Dalian High-tech Industrial Zone. According to the agreement, the parties will give full play to their respective advantages to establish comprehensive strategic cooperation relationship under the principles of "equality freewill, mutual benefit, honesty and trustworthiness and long-term cooperation".

DECEMBER

At 15:30 on 26 December 2019, the Top Runner Project of Panda Green in Baotou, Inner Mongolia was successfully connected to the grid. With a total installed capacity of 50MW, the project is the second grid-connected Top Runner Project in the mining subsidence area in Baotou City, as well as the sixth Panda Photovoltaic Power Station of Panda Green.

2019 AWARDS

MAY

On 10 May 2019, CPC 2019 4th Century Photovoltaic Conference & "PVBL 2018 China PV Brand Ranking Award" co-hosted by Century New Energy Network and Photovoltaic Brand Lab (PVBL) was held in Shanghai. Panda Green ranked among Top Ten Power Station Investor Brands in China of 2018 with its superiority in quality and brand.

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GREEN ENERGY

Green future promoting low-carbon clean energy and responding to global climate change

2.11 Million
Households' Electricity Consumption in a Year

172 Million
Trees Planted

1.26 Million Tons
Saved Standard Coal

The total electricity generation volume for 2019 is **3,172,916**MWh equivalent to:

3.16 Million Tons
Reduced Emission of Carbon Dioxide

863 Thousands Tons
Reduced Emission of Soot

47 Thousands Tons
Reduced Emission of Nitrogen Oxides

INVESTOR RELATIONS

The principles of the Company's investor relations management are remaining open, being proactive, transparent, interactive, staying positive and efficient. The Company is aimed to deliver information relative to the Group's operations, financial position, management, business strategy and industry conditions timely and aggregately to its stakeholders.

MULTI-CHANNEL-BACKED "TWO-WAY" COMMUNICATION

Over the past year, the Company maintained two-way communication with its stakeholders in compliance with the information disclosure rules, in order to protect the interests of its investors. The Company had adequate communications and exchange of ideas with investors and analysts via various online and offline channels such as meetings, telephone calls, emails, official website and WeChat public account.

DIVERSIFIED ACTIVITIES TO ENHANCE COMMUNICATION WITH INVESTORS

The Company complied with information disclosure regulations by timely delivering our development strategies, latest developments and results to the capital market. The stakeholders can have a more comprehensive understanding of the Company via our website, communication channels and new media platforms.

The Company also conducted in-depth exchange and discussion with investors/analysts in one-on-one or one to more discussion to ensure the timeliness and efficiency of communication.

OUTLOOK FOR MANAGEMENT OF INVESTOR RELATIONS IN 2020

In 2020, the Company will pay close attention to important government policies of the clean and renewable energy industry and capital market trend, constantly optimize discloseable information taking into account request from different stakeholders. Apart from required publication of regular announcements, the Company will make public discloseable information in a timely manner and continuously improve the level of information disclosure.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

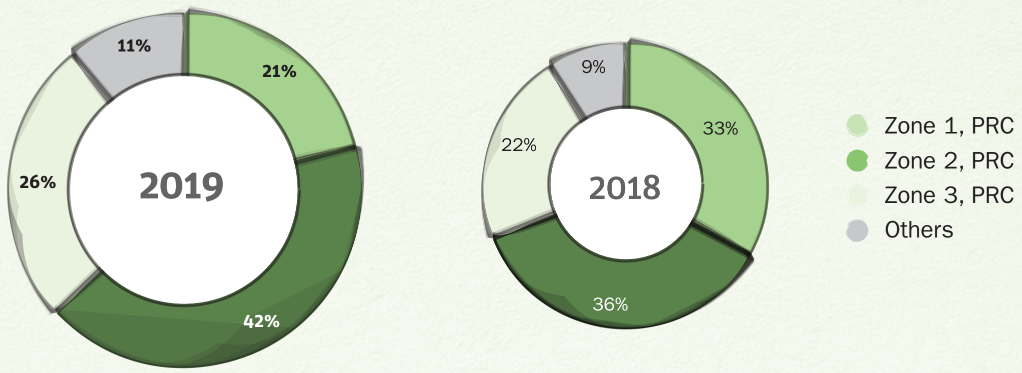
Diversification of Investment Locations and Portfolios

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

Solar Power Plant Projects

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

Chart 1 Location of Solar Power Plants



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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other Renewable Energy Projects

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

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

Electricity Generation

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

Table 1 Power Plants with Continuing Operations Summary

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Table 2 Power Plants Information by Resource Zone – Continuing Operations

Location	As at 31 December 2019 Number of power plant Solar	Wind	Aggregate Installed capacity (MW)	For the year ended 31 December 2019 Electricity generation (MWh)	Revenue (RMB'million)	Average tariff per kWh (net of VAT) (RMB)
Subsidiaries						
(i) Zone 1						
Inner Mongolia, PRC	9	–	330.0	560,724	437	0.78
Ningxia, PRC	1	–	200.0	291,000	220	0.75
Gansu, PRC	1	–	100.0	147,663	109	0.74
Zone 1 sub-total	11	–	630.0	999,387	766	0.77
(ii) Zone 2						
Qinghai, PRC	4	–	200.0	310,141	256	0.82
Shanxi, PRC	2	–	150.0	276,058	214	0.78
Shandong, PRC	3	–	50.0	–	–	–
Xinjiang, PRC	7	–	120.2	179,057	134	0.75
Inner Mongolia, PRC	1	–	60.0	101,706	82	0.81
Yunnan, PRC	3	–	57.1	90,464	67	0.74
Hebei, PRC	2	–	37.3	51,028	42	0.82
Sichuan, PRC	3	–	50.0	89,773	58	0.65
Zone 2 sub-total	25	–	724.6	1,098,227	853	0.78
(iii) Zone 3						
Hubei, PRC	1	–	100.0	115,653	112	0.97
Shandong, PRC	1	–	40.0	59,536	53	0.88
Guangxi, PRC	1	–	60.0	62,142	53	0.85
Hunan, PRC	6	–	120.0	104,822	107	1.02
Guangdong, PRC	4	–	22.8	2,966	9	0.95
Zhejiang, PRC	1	–	3.0	2,803	2	0.89
Anhui, PRC	1	–	100.0	119,721	78	0.65
Zone 3 sub-total	15	–	445.8	467,643	414	0.89
(iv) Others						
Shanxi, PRC	–	–	–	65,761	31	0.47
Tibet, PRC	6	–	95.0	121,213	104	0.86
Others sub-total	6	–	95.0	186,974	135	0.73
Subsidiaries sub-total	57	–	1,895.4	2,752,231	2,168	0.79
Associates						
Inner Mongolia, PRC	2	–	60.0	219,850	185	0.84
Yunnan, PRC	–	–	–	53,393	38	0.71
Shanxi, PRC	–	–	–	49,378	41	0.84
Qinghai, PRC	–	–	–	57,491	51	0.89
Jiangsu, PRC *	2	–	23.8	40,573	75	1.84
Associates sub-total	4	–	83.8	420,685	390	0.93
Total	61	–	1,979.2	3,172,916	2,558	0.81

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financing

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

FINANCIAL REVIEW

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

Revenue and EBITDA

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

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

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

Loss on Debt Extinguished by Issuing Equity Instruments

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

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

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

Finance Costs

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

MANAGEMENT DISCUSSION AND ANALYSIS

Share-Based Payment Expenses

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

Impairment Charge on Development Rights

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

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

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

Impairment Charge on Concession Rights

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment Charge on Property, Plant and Equipment

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

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

Write-off on Other Receivables

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

Impairment Loss of Financial Assets

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

Loss on Disposal of Subsidiaries

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

Income Tax

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

Discontinued Operation

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

Trade, Bills and Tariff Adjustment Receivables

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

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

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

Bank and Other Borrowings

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

Key Performance Indicators

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

PERFORMANCE AND FUTURE PROSPECTS FOR SIGNIFICANT INVESTMENTS HELD

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

MATERIAL RELIANCE ON KEY CUSTOMERS

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

CHARGE ON ASSETS

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

EMPLOYEES AND REMUNERATION POLICIES

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

CONTINGENT LIABILITIES

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

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE FINANCIAL PERIOD

(a) Issuance of new senior notes

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

(b) Issuance of new shares

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

(c) COVID-19 outbreak

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

PROSPECTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The Incidents

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

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

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

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

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

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

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

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

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

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

REPORT OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance to protect the interests of the Company and the Shareholders as a whole. The Company believes that rigorous standards of corporate governance enhance the sustainability of the Company. To this end, the Company has maintained a framework of corporate governance policies and practices to apply the principles of good corporate governance in daily operation. This framework is built upon principles of accountability and integrity.

The Company has applied the principles and code provisions of the corporate governance code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as its own code of corporate governance. During the year ended 31 December 2019, the Company has complied with all applicable code provisions under the CG Code.

CORPORATE GOVERNANCE STRUCTURE

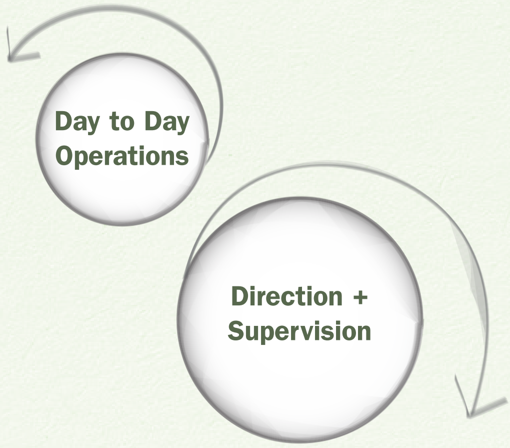
The Board is collectively responsible for performing the corporate governance duties. It is responsible for developing, reviewing and monitoring the policies and practices on corporate governance of the Company. In the corporate governance framework of the Company, other key participants, including Shareholders, senior management and other stakeholders, have a role to contribute and interact in the process of decision making and they set us in motion of continuing improvement in our corporate governance practices.

The diagram below shows the current corporate governance structure of the Company and the relationship between key participants:

BOARD OF DIRECTORS

Overall Responsibility and Delegation

Members of the Board are individually and collectively accountable for promoting the success of the Company and achieving sustainable development of the Company. The Board provides leadership and supervision of the Company, overseeing businesses and evaluating the performance of the Group. It focuses on formulating the overall strategies and policies with particular attention paid to the growth and financial performance of the Group, and make decisions on significant acquisitions and other specified matters reserved for the Board.



The implementation of the Group's strategies and policies and the day-to-day operations of the Group are performed by the executive Directors, chief executive officer and senior management under the regular monitoring and supervision of the Board and its committees. These arrangements will be reviewed periodically to ensure that they remain appropriate to the needs of the Company.

All Directors have separate access to the management and are provided with full and timely information about the conduct of the business and operation of the Group. Upon request by the Board, independent professional advice will be available to the Directors to facilitate the decision-making process. Appropriate directors' and officers' liability insurance has been arranged for the Directors.

The Board has also delegated certain functions to the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee"), risk control committee (the "Risk Control Committee") and strategy committee (the "Strategy Committee"), further details of which are set out in this report.

REPORT OF CORPORATE GOVERNANCE

Key matters reserved for the Board

Strategy & operation

- approve the strategic plan and annual operation and investment plans of the Group
- approve major investments and transactions
- approve issue of Shares and other securities within the authority given by Shareholders
- approve other material corporate activities

Monitoring of financial performance

- approve and monitor the annual budget and annual financial plan
- approve the selection and appointment of the external auditors
- review and approve the annual and interim financial results and approve their publication

Organisation & succession planning

- decide the Group's organisation
- consider the appointment of Directors
- approve the remuneration policy and incentive schemes
- approve the appointment or removal of chief executive officer
- review and monitor the training and continuous professional development of Directors and senior management

Governance & risk management

- develop the corporate governance structure and policy
- approve and review the terms of reference of board committees
- establish and maintain risk management and internal control systems, review and monitor policies and practices on compliance with legal and regulatory requirements
- establish and review shareholders' communication policy
- review the Company's compliance with the CG Code and relevant disclosure in this report of corporate governance
- develop, review and monitor the code of conduct and compliance manual for Directors and employees

REPORT OF CORPORATE GOVERNANCE

Composition of the Board

The Board currently comprises twelve Directors, including three executive Directors, five non-executive Directors, and four independent non-executive Directors. The Directors who served the Board during the year ended 31 December 2019 and changes in Directors up to the date of this report are as follows:

Name of Directors	Changes in Director up to the date of this report
Executive Directors	
Mr. Zhang Ping *(Chairman and Chief Executive Officer)*	*Appointed as an executive Director, Chairman of the Board and chief executive officer of the Company with effect from 21 February 2020, appointed as an authorised representative of the Company (the "Authorised Representative") under Rule 3.05 of the Listing Rules with effect from 29 June 2020*
Mr. Lu Zhenwei	*Re-designated from the Co-Chairman of the Board to the Chairman of the Board with effect from 27 June 2019, resigned as the Chairman of the Board with effect from 21 February 2020, resigned as an Authorised Representative with effect from 29 June 2020*
Mr. Xu Jianjun	*Appointed as an executive Director with effect from 27 June 2019*
Mr. Huang Hui *(Chief Financial Officer)*	*Appointed as an executive Director and chief financial officer of the Company with effect from 21 February 2020, resigned as an executive Director with effect from 29 June 2020*
Ms. Zhong Hui	*Appointed as co-chief executive officer of the Company with effect from 14 May 2019, appointed as an executive Director and redesignated from co-chief executive officer to chief executive officer of the Company with effect from 27 June 2019, resigned as an executive Director and chief executive officer of the Company with effect from 21 February 2020*
Mr. Chen Qinglong	*Appointed as an executive Director with effect from 27 June 2019, resigned as an executive Director with effect from 21 February 2020*
Mr. Li, Alan	*Resigned as an executive Director, Chairman of the Board and chief executive officer of the Company with effect from 27 June 2019*
Mr. Li Hong	*Resigned as an executive Director and chief financial officer of the Company with effect from 27 June 2019*
Mr. Li Guangqiang	*Resigned as an executive Director with effect from 27 June 2019*
Non-executive Directors	
Mr. Sui Xiaofeng	*Appointed as a non-executive Director with effect from 29 June 2020*
Mr. Chen Dayu	*Appointed as a non-executive Director with effect from 29 June 2020*
Mr. Li Hao	
Ms. Xie Yi	*Appointed as a non-executive Director with effect from 22 January 2019*
Mr. Yu Qiuming	*Re-designated from an executive Director to a non-executive Director with effect from 27 June 2019 and resigned as a co-chief executive officer of the Company with effect from 14 May 2019*
Mr. Wang Heng	*Appointed as a non-executive Director with effect from 27 June 2019, resigned as a non-executive Director with effect from 29 June 2020*
Mr. Tang Wenyong	*Resigned as a non-executive Director with effect from 27 June 2019*
Independent Non-executive Directors	
Mr. Kwan Kai Cheong	
Mr. Yen Yuen Ho, Tony	
Mr. Shi Dinghuan	
Mr. Chen Hongsheng	*Appointed as an independent non-executive Director with effect from 21 January 2019*

REPORT OF CORPORATE GOVERNANCE

Directors' biographical details are set out in the "Biographies of Directors and Senior Management" section of this report on pages 8 to 13. The Board believes that its composition is well balanced with each Director having sound knowledge, skills, diversity of perspectives, and experience and/or expertise relevant to the business of the Group.

To the best knowledge of the Board, there is no financial, business, family or other material/relevant relationship among its members. Updated list of Directors and their role and function has been maintained on our website and that of the Stock Exchange. The names and identification of the Directors are disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

Chairman and Chief Executive Officer

During the year ended 31 December 2019, Mr. Li, Alan, an executive Director, took both the positions of co-chief executive officer of the Company and the Co-Chairman of the Board till 27 June 2019. Mr. Lu Zhuwei and Mr. Yu Qiuming took the positions of Co-Chairman of the Board and co-chief executive officer of the Company respectively. The Board considers that the division of responsibility between the chairman and chief executive officer is established and fulfills the requirement under CG Code A.2.1. From 27 June 2019, the positions of chairman and the chief executive officer were held separately. Mr. Lu Zhenwei was the Chairman of the Board and Ms. Zhong Hui was the chief executive officer of the Company. The chairman provides leadership and governance for the Board so as to create the conditions required for effective performance of the Board as a whole and effective contribution by individual Director. He also ensures that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The chief executive officer has the delegated power to manage the Company and to oversee the activities of the Company.

Upon the resignations of Mr. Lu Zhenwei as the Chairman of the Board and Ms. Zhong Hui as the chief executive officer of the Company, Mr. Zhang Ping was appointed as both the Chairman of the Board and the chief executive officer of the Company with effect from 21 February 2020.

Independent Non-executive Directors

The Board has four independent non-executive Directors, representing one-third of the Board, and one of whom possess professional qualifications in accounting and related financial management expertise. The Company has complied with the requirement for appointment of at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules and the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rules 3.10(2) of the Listing Rules throughout the entire year. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board. With such a weight of the independent non-executive Directors, there is a strong independent element in the Board, which can effectively exercise independent judgement. The independent non-executive Directors contribute by ensuring due governance process, reviewing and providing independent advices to the management performance. They also bring in objective and impartial considerations for connected transactions and other issues of the Group.

The Company has received from each independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Appointment and Re-election of Directors

The Company follows a formal and considered procedure for the appointment of new Directors. Details of the nomination policy of the Company are set out in the "Nomination Policy" section of this report on pages 46 to 47. The Nomination Committee identifies suitably qualified individuals for directorship to complement the Company's corporate strategy and makes recommendations to the Board on proposed appointments. A new Director may be appointed by the Shareholders at general meeting or by the Board on the recommendation of the Nomination Committee, either to fill a casual vacancy on the Board, or as an addition to the Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting after his appointment, and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Every Director is appointed for a specific term and should be subject to retirement by rotation at least once every three years. In accordance with Bye-law 84(1) of the Bye-Laws of the Company (the "Bye-Laws"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation.

Each Director has entered into a service contract or a letter of appointment with the Company. All the non-executive Directors (including the independent non-executive Directors) are appointed for a specific term of one year subject to the retirement and re-appointment provisions of the Bye-Laws.

In the annual general meeting ("AGM") held on 3 June 2019, Mr. Li, Alan, Mr. Li Hao, Ms. Xie Yi, Mr. Yen Yuen Ho, Tony and Mr. Shi Dinghuan had retired from office and been re-elected as Directors. In the special general meeting held on 30 December 2019, Ms. Zhong Hui, Mr. Chen Qinglong, Mr. Xu Jianjun and Mr. Wang Heng, had retired from office and been re-elected as Directors. In the special general meeting held on 3 August 2020, Mr. Zhang Ping, Mr. Sui Xiaofeng and Mr. Chen Dayu, had retired from office and been re-elected as Directors.

Directors' Induction and Continuous Professional Development

Upon each appointment, an induction briefing and a Directors' induction handbook were given to each of the newly appointed Directors. Such briefing and handbook primarily introduce the laws, rules and regulations to which the Directors should observe and adhere during their tenure, as well as the Company's policies, codes, compliance manual, and the business, operations and development of the Group. The new Directors appointed during the year 2019, who were Ms. Zhong Hui, Mr. Chen Qinglong, Mr. Xu Jianjun, Ms. Xie Yi, Mr. Wang Heng and Mr. Chen Hongsheng had all received an induction briefing and been given an updated Directors' induction handbook.

During the year 2019, the Company has arranged trainings which were presented by professional firms to the Directors. The Directors also recognise the importance of keeping abreast of the business activities and development of the Company, and developing and refreshing their knowledge and skills and thus continuously attend seminars and/or briefings to refresh their knowledge. In addition, a number of reading materials in relation to the amendments or revision of applicable laws, rules, regulations, standards and policies of the countries and regions in which the Group operates, such as guidelines, newsletters, reports, consultation papers and interpretations issued by regulatory bodies or professional firms, are also circulated to all Directors from time to time.

REPORT OF CORPORATE GOVERNANCE

The Company has maintained record of the continuous professional development participated by the Directors. A summary of the Directors' participation in the continuous professional development during the year ended 31 December 2019 and up to the date of this report is as below:

	Attending briefings/ seminars	Reading materials/ regulatory updates/ monthly reports
Executive Directors		
Mr. Zhang Ping *(appointed with effect from 21 February 2020)*	–	✓
Mr. Lu Zhenwei	✓	✓
Mr. Xu Jianjun	✓	✓
Mr. Huang Hui *(appointed with effect from 21 February 2020 and resigned with effect from 29 June 2020)*	–	✓
Ms. Zhong Hui *(resigned with effect from 21 February 2020)*	✓	✓
Mr. Chen Qinglong *(resigned with effect from 21 February 2020)*	✓	✓
Mr. Li, Alan *(resigned with effect from 27 June 2019)*	✓	✓
Mr. Li Hong *(resigned with effect from 27 June 2019)*	✓	✓
Mr. Li Guangqiang *(resigned with effect from 27 June 2019)*	✓	✓
Non-executive Directors		
Mr. Sui Xiaofeng *(appointed with effect from 29 June 2020)*	–	✓
Mr. Chen Dayu *(appointed with effect from 29 June 2020)*	–	✓
Mr. Li Hao	✓	✓
Ms. Xie Yi	✓	✓
Mr. Yu Qiuming	✓	✓
Mr. Wang Heng *(resigned with effect from 29 June 2020)*	✓	✓
Mr. Tang Wenyong *(resigned with effect from 27 June 2019)*	✓	✓
Independent Non-executive Directors		
Mr. Kwan Kai Cheong	✓	✓
Mr. Yen Yuen Ho, Tony	✓	✓
Mr. Shi Dinghuan	✓	✓
Mr. Chen Hongsheng *(appointed with effect from 21 January 2020)*	✓	✓

REPORT OF CORPORATE GOVERNANCE

BOARD PROCESS

Key Features of Board Process

Formal notice with sufficient time

- 14 days' notice of regular board meeting or reasonable notice in timely manner with agenda
- all directors are invited to propose any additional matters included in the agenda

Adequate information

- board papers with reliable information accessible to all directors are provided in advance
- sufficient materials to enable the board to make informed decisions

Support & advice

- proper briefed on issues arising at meeting
- prompt and full response to queries raised
- access to the management
- independent professional advice in appropriate circumstances at the Company's expenses

Active participation and contribution

- meet at least 4 times a year and meet when required
- promote a culture of openness and debate
- encourage all directors with different views to voice their concerns, if any
- allow sufficient time for discussion and ensure board decisions fairly reflect board consensus

Proper records

- record in sufficient details on the matters considered and decisions reached
- record any concerns raised
- records are open for inspection by directors

REPORT OF CORPORATE GOVERNANCE

Other Key Features of Board Process

- The Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.
- Transactions where any Director is considered having a conflict of interest or material interests shall be dealt with in a physical meeting with presence of independent non-executive Directors who have no material interests.
- Any Director having conflict of interests or material interests shall disclose his/her interests in accordance with the Bye-Laws before the meeting and shall abstain from voting on the resolution(s) approving such transactions and shall not be counted in the quorum.

BOARD COMMITTEES

The Board has established its Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee on 14 March 2000, 28 September 2005, 23 March 2012, 23 July 2013 and 20 March 2017 respectively. Details of authority, role and responsibilities of each committee are set out in written terms of reference which are available on the Company's website under the Investor Relations section and the Stock Exchange's website. The Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee reviewed its terms of reference at least once a year to ensure they remain in line with the requirements of the Listing Rules. Amendments to the terms of reference shall be submitted to the Board for approval and adoption.

The company secretary of the Company (the "Company Secretary") acted as the secretary of the Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee. An agenda accompanying board committee papers are sent to the committee members at least three days prior to the meeting. Sufficient resources are made available to the committee members when required. The secretary prepares full minutes of the committee meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members of respective committee for comment and approval after each meeting and the final version of the minutes are sent to the committee members for their records within a reasonable time after the meeting. The chairman of the respective committee summarises the activities of that committee and highlights issues arising and reports to the Board after each committee meeting.

Audit Committee

Audit Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Sui Xiaofeng. The Audit Committee is chaired by Mr. Kwan Kai Cheong who possesses relevant professional qualification and expertise in financial reporting matters.

The Audit Committee acts as an important link between the Board and the Company's auditors. It is responsible for making recommendations to the Board on the appointment and re-appointment of the external auditors, and to approve the remuneration and terms of engagement of the external auditors. It is empowered to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, financial reporting system, internal control procedures and compliance issues.

REPORT OF CORPORATE GOVERNANCE

The Audit Committee held three meetings (two of which were with the auditors of the Company) to deal with the following matters during the year 2019:

SUMMARY OF WORK DONE DURING THE YEAR OF 2019

- reviewed and discussed with the external auditors of the Company about the audited annual results of the Group for the year ended 31 December 2018 as well as the financial and accounting policy and practices of the Group;
- reviewed and discussed the structure and composition of finance and internal audit staff of the Group;
- reviewed and discussed with general manager of internal audit department about the internal audit work of the Group;
- reviewed and considered the independence, re-appointment and remuneration of external auditors;
- reviewed and discussed with the external auditors of the Company about the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019;
- reviewed and discussed the amendment of terms of reference of the Audit Committee; and
- reviewed and discussed with the external auditors of the Company about their annual audit service plan in relation to the results of the Group for the financial year ended 31 December 2019.

Auditor's Remuneration

The external auditors perform independent review or audit of the financial statements prepared by the management. PricewaterhouseCoopers has been re-appointed as the independent auditor of the Company by Shareholders at the AGM held on 3 June 2019. During the year ended 31 December 2019, the remuneration paid or payable to PricewaterhouseCoopers (including its affiliated firms) for services rendered is summarised as below:

	2019 RMB' million	2018 RMB' million
Statutory audit	7	6
Non-audit services(1)	1	–
Total	8	6

(1) The non-audit services represented the services relating to the issuance of senior notes.

The responsibilities of the independent auditor with respect to the consolidated financial statements for the year ended 31 December 2019 are set out in the section "Independent Auditor's Report" on pages 78 to 83.

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Remuneration Committee

Remuneration Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Chen Dayu. Mr. Yen Yuen Ho, Tony is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration by reference to corporate goals and objectives resolved by the Board from time to time and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee held one meeting and passed one written resolution to deal with the following matters during the year 2019:

SUMMARY OF WORK DONE DURING THE YEAR OF 2019

- reviewed and discussed the remuneration policy of the Group and the remuneration packages of Directors and members of senior management in April 2019; and

- made recommendations on the remuneration of newly appointed co-chief executive officer of the Company in May 2019.

Nomination Committee

The Nomination Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one executive Director, namely Mr. Zhang Ping. Mr. Zhang Ping is the chairman of the Nomination Committee.

The Nomination Committee is authorised to formulate nomination policy for the Board's consideration and implement the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship and senior management. The board diversity policy which has been adopted in 2013 outlines the Company's commitment to ensure the Board has a balance of skills, experience and diversity of perspectives which are appropriate to the requirements of the Company's business. It also sets out that all Board members will be appointed based on a merit basis with due consideration to the Board diversity. While selecting candidates for directorship, the Nomination Committee has taken into account of a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

In reviewing the Board composition, the Nomination Committee shall give adequate consideration to the board diversity policy. The Nomination Committee believes that the current composition of the Board is balanced and diversified with the high-calibre members from different cultural backgrounds and possessing professional expertise of various industries, which indicates that the diversity policy has been well implemented.

The main responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience and length of service) of the Board at least once a year and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy, and identify individuals suitably qualified to become Directors and select, or make recommendations to the Board on the selection of individuals nominated for directorships and chief executives, the appointment or reappointment of Directors and succession planning for Directors. The Nomination Committee is also responsible for assessing the independence of independent non-executive Directors.

REPORT OF CORPORATE GOVERNANCE

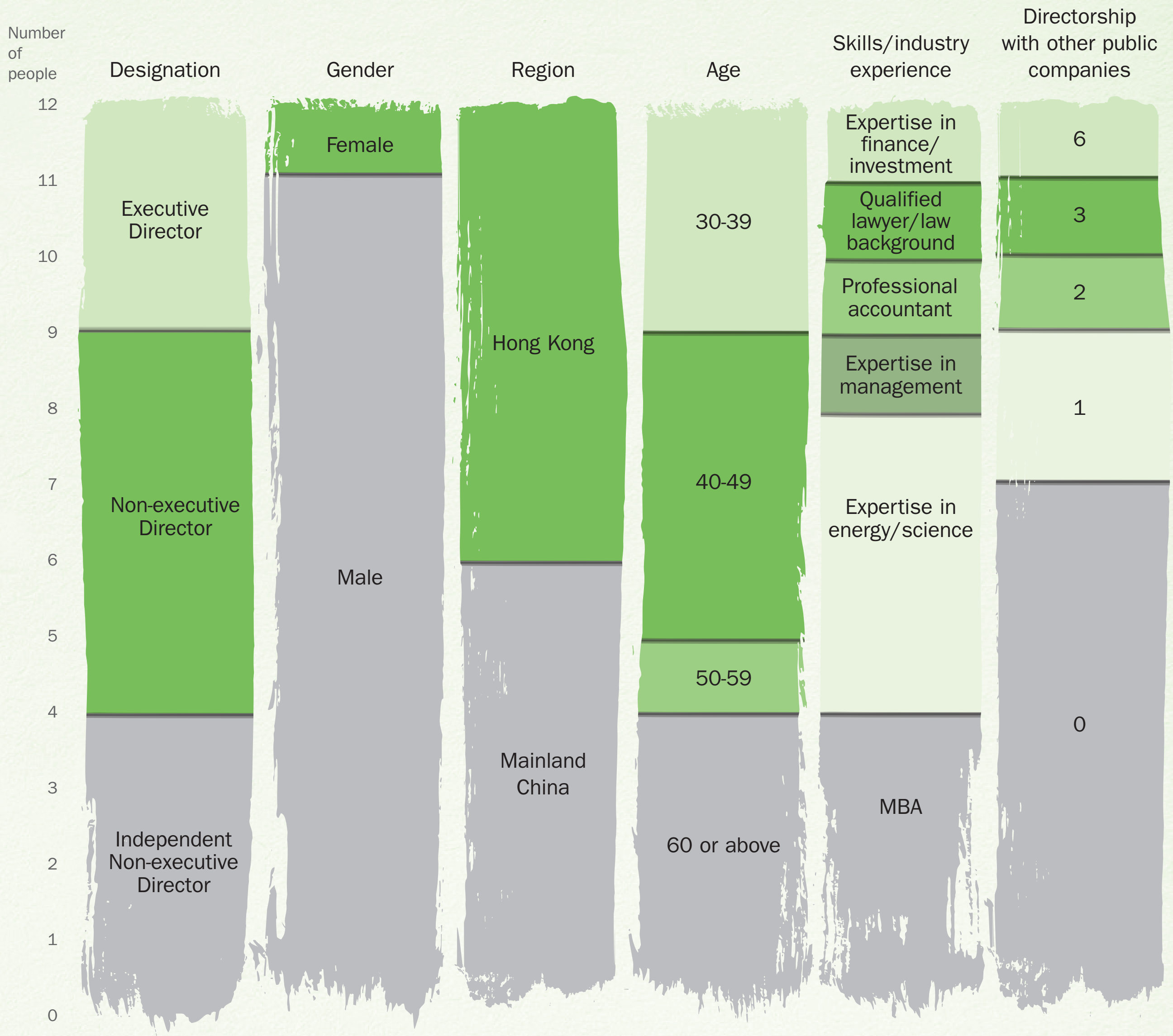
The Nomination Committee held one meeting and passed three written resolutions to deal with the following matters during the year 2019:

SUMMARY OF WORK DONE DURING THE YEAR OF 2019

- made recommendations on nomination of one candidate for the position of independent non-executive Director in January 2019;
- reviewed the structure, size, composition and diversity of the Board and the board diversity policy of the Company in April 2019;
- discussed and made recommendations on re-election of retiring Directors in the AGM for the year 2019 in April 2019;
- assessed the independence of the independent non-executive Directors in April 2019;
- made recommendations on nomination of one candidate for the position of co-chief executive officer of the Company in May 2019; and
- made recommendations on re-election of retiring Directors in the special general meeting of the Company ("SGM") held in December 2019.

REPORT OF CORPORATE GOVERNANCE

An analysis of the current Board composition:



Details of the directorship in other listed companies are set out in the "Biographies of Directors and Senior Management" section of this report.

REPORT OF CORPORATE GOVERNANCE

NOMINATION POLICY

The Group adopted a nomination policy (the "Nomination Policy") on 18 December 2018 and it is disclosed as below.

1. Objectives

1.1 Nomination Committee shall ensure the Board to have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and strategy during nomination process.

1.2 Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as independent non-executive directors of the Company ("INEDs") at general meetings or appoint as INEDs to fill casual vacancies.

2. Selection Criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate as a director of the Company: –

- Reputation for integrity;
- Accomplishment and experience in the relevant industry, in particular, in renewable energy;
- Commitment in respect of available time and relevant interest; and
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, experience (professional or otherwise), skills, knowledge and length of service.

2.2 These factors are for reference only, and do not mean to be exhaustive and decisive. Nomination Committee has the discretion to nominate any person, as it considers appropriate.

2.3 Retiring INEDs, save for those who have served as INEDs for a period of nine (9) consecutive years, are eligible for nomination by the Board to stand for re-election at a general meeting.

2.4 Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director.

2.5 Proposed candidates might be requested to provide additional information and documents, if considered necessary by Nomination Committee.

3. Nomination Procedures

3.1 A meeting of the Nomination Committee will be called, and nominations of candidates will be invited from the Board member, if any, for consideration by the Nomination Committee prior to its meeting. Nomination Committee may also put forward candidates who are not nominated by Board members.

3.2 In case of filling a casual vacancy, Nomination Committee shall make recommendations for the Board's consideration and approval; in case of proposing candidates to stand for election at a general meeting, Nomination Committee shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the Shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence (applicable to INEDs), proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to Shareholders.

3.5 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company.

3.6 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Risk Control Committee

The Risk Control Committee currently consists of six members, including one independent non-executive Director, namely Mr. Kwan Kai Cheong, three non-executive Directors, namely Mr. Sui Xiaofeng, Mr. Chen Dayu and Mr. Li Hao, and two executive Directors, namely Mr. Zhang Ping and Mr. Lu Zhenwei. Mr. Zhang Ping is the chairman of the Risk Control Committee.

The aim of the Risk Control Committee is to strengthen the risk analysis, judgement, and decision making of the Board. The main responsibilities of the Risk Control Committee are to assist the Board in evaluating and deciding the risk level and risk appetite of the Group in achieving its strategic and business objectives, in identifying, mitigating and control of risks associated with significant investments, material operation and financial matters and other major activities of the Group, and in making recommendations on improvement of the risk management and internal control systems of the Company.

During the year ended 31 December 2019, the Risk Control Committee did not hold any meeting. The reason of not holding Risk Control Committee meetings in 2019 was that the functions of monitoring the risk management and internal control systems were taken up by the Audit Committee and the Board directly in accordance with the Company's operation and strategies.

Strategy Committee

The Strategy Committee has been established with effect from 20 March 2017. The Strategy Committee currently consists of two members, including two non-executive Directors, namely Mr. Sui Xiaofeng and Mr. Yu Qiuming. Mr. Yu Qiuming is the executive chairman of the Strategy Committee.

The aim of the Strategy Committee is to further facilitate and guide the research and implementation of the business development and the strategic planning of the Company, as well as to enhance the decision-making procedures of the major matters of the Company and strengthen the corporate governance structure of the Company. The main responsibilities of the Strategy Committee are to assist the Board in formulating and evaluating the development strategy and implementation plan of the Group in achieving its medium-term and long-term strategic goals and make recommendations to the Board in relation to any other significant matters affecting the development of the Company.

During the year ended 31 December 2019, the Strategy Committee did not hold any meeting.

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The attendance records of each Director at Board meetings, committee meetings and general meetings of the Company in 2019 are set out below:

	Attendance Record of Directors and Committee Members in 2019						
	Board meetings	General meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Risk Control Committee meetings	Strategy Committee meetings
Number of meetings	23	3	3	1	1	–	–
Executive Directors							
Mr. Lu Zhenwei	22/23	3/3	–	–	1/1	–	–
Mr. Xu Jianjun (note 1)	10/15	0/1	–	–	–	–	–
Ms. Zhong Hui (note 2)	15/15	1/1	–	–	–	–	–
Mr. Chen Qinglong (note 3)	15/15	1/1	–	–	–	–	–
Mr. Li, Alan (note 4)	5/8	1/2	–	–	–	–	–
Mr. Li Hong (note 5)	8/8	2/2	–	–	–	–	–
Mr. Li Guangqiang (note 6)	8/8	1/2	–	–	–	–	–
Non-executive Directors							
Mr. Yu Qiuming (note 7)	20/23	1/3	–	–	–	–	–
Mr. Li Hao	18/23	0/3	–	–	–	–	–
Ms. Xie Yi (note 8)	13/22	0/3	–	–	–	–	–
Mr. Wang Heng (note 9)	10/15	0/1	1/2	–	–	–	–
Mr. Tang Wenyong (note 10)	6/8	1/2	1/1	–	–	–	–
Independent non-executive Directors							
Mr. Kwan Kai Cheong	21/23	2/3	3/3	1/1	1/1	–	–
Mr. Yen Yuen Ho, Tony	21/23	3/3	3/3	1/1	1/1	–	–
Mr. Shi Dinghuan	9/23	1/3	–	–	–	–	–
Mr. Chen Hongsheng (note 11)	13/22	3/3	–	–	–	–	–

Notes:

1. Mr. Xu Jianjun was appointed as an executive Director with effect from 27 June 2019.
2. Ms. Zhong Hui was appointed as an executive Director, and a member of each of the Risk Control Committee and the Strategy Committee with effect from 27 June 2019. She resigned as an executive Director and ceased to be a member of the Risk Control Committee and the Strategy Committee with effect from 21 February 2020.
3. Mr. Chen Qinglong was appointed as an executive Director and a member of the Risk Control Committee with effect from 27 June 2019. He resigned as an executive Director and ceased to be a member of the Risk Control Committee with effect from 21 February 2020.
4. Mr. Li, Alan resigned as an executive Director, and a member of each of the Risk Control Committee and the Strategy Committee with effect from 27 June 2019.
5. Mr. Li Hong resigned as an executive Director and a member of the Risk Control Committee with effect from 27 June 2019.
6. Mr. Li Guangqiang resigned as an executive Director with effect from 27 June 2019.
7. Mr. Yu Qiuming was re-designated from an executive Director to a non-executive Director with effect from 27 June 2019.
8. Ms. Xie Yi was appointed as a non-executive Director with effect from 22 January 2019.
9. Mr. Wang Heng was appointed as a non-executive Director with effect from 27 June 2019. He resigned as a non-executive Director and ceased to be a member of each of the Audit Committee, the Remuneration Committee and the Risk control Committee with effect from 29 June 2020.
10. Mr. Tang Wenyong resigned as a non-executive Director, and a member of each of the Audit Committee, the Remuneration Committee and the Risk Control Committee with effect from 27 June 2019.
11. Mr. Chen Hongsheng was appointed as an independent non-executive Director with effect from 21 January 2019.

DIVIDEND POLICY

The Group adopted a dividend policy (the "Dividend Policy") on 18 December 2018 and as below.

1. Objectives

1.1 The Dividend Policy is designed to set guidelines on dividend distribution that maintain the balance between appropriately rewarding shareholders through dividends and retaining necessary capital to support future development of the Company.

1.2 The Board will recommend dividend distribution based on various internal and external factors while striving for fairness and sustainability.

1.3 The Dividend Policy shall be in accordance with the applicable provisions of the Bermuda Companies Act 1981, laws and rules in the jurisdictions that the Company has operations and the bye-laws of the Company, as in force and as amended from time to time.

2. Parameters to be considered while declaring dividends

2.1 Dividend distribution is contingent upon various factors, and their combination thereof, which are listed below and the Board shall consider these factors in the best interest of the Company and its Shareholders as a whole before deciding the dividend.

- current and prospective financial performance of the Company;
- growth and investment opportunities;
- other macro and micro economic factors; and
- other factors/events that the Board may deem as relevant.

3. Utilization of retained earnings

3.1 The Company would employ the retained earnings for conducting activities in normal course of business, including but not limited to funding the Company's future business growth/expansion plans or such other purpose the Board may deem fit in the best interest of the Company and its Shareholders as a whole.

4. Circumstances under which shareholders may not expect dividend

4.1 The Board may vary or not recommend any dividend if the criteria for recommending of dividend has not been met by the Company, including but not limited to events/factors listed below:

- loss or inadequacy of profit or cash flow;
- decision to undertake any acquisition, amalgamation, merger, takeover that will result in significant capital outflow;
- the Company has been prohibited from declaring dividends under any contractual obligation or by any regulatory authority; and
- any other extraordinary circumstances.

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5. Provisions regarding various classes of shares

5.1 The provisions contained in the Dividend Policy shall apply to all classes of shares of the Company. Currently, the Company does not have any other class of shares (including shares with differential voting rights) other than ordinary shares.

6. Amendments

6.1 To the extent any change/amendment is required in terms of applicable laws or rules, the laws or rules would prevail over the Dividend Policy, and the provisions in the Dividend Policy would be suitably modified to make it consistent with the requirements of the law. Such amended Dividend Policy shall be placed before the Board for noting and necessary ratification.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board is accountable to the Shareholders and responsible for the preparation of the financial statements of the Group. We recognise the importance of integrity of financial information and endeavour to present to the Shareholders a balanced, clear and understandable assessment of the performance, position and prospects of the Group. The Board also acknowledges its responsibility for preparing the financial statements that give a true and fair view of the Group's affairs and of its results and cash flows. The Board receives from the management such explanation and information as necessary to enable it to assess the financial information and position of the Group.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS"). The accounting policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements in conformity with HKFRS requires the use of certain critical estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the note 4 to the consolidated financial statements.

As disclosed in the "Independent Auditor's Report" of this report, the Company's auditors issued a disclaimer of opinion (the "Disclaimer of Opinion") relating to: (i) the Deposits to NEX Group, together with certain other payments made to NEX Group of HK$88 million; (ii) Deposits to SZZY and (iii) Payments to Haozhen Partner A.

The Company has taken certain actions to address the auditor's concerns, including but not limited to, conducting an independent investigation on the Incidents, taking recovery related actions, consulting external independent professional advisers to report the matter together with available evidence to relevant enforcement authorities in light of the potential criminal liability implications unfolded in the Investigation, entering settlement arrangement with NEX Group in relation to the outstanding balances due from NEX Group, engaging internal control review expert to carry out an internal control review, details of which are set out in the "Management Discussion and Analysis" of this report.

In addition, as disclosed in the "Independent Auditor's Report" of this report, the Company's auditors issued a Material Uncertainty opinion report related to going concern of the Company. Though the Company had certain indicators that the Group might have doubt on going concern, the Group has carried out certain measures and plans in improving the liquidity of the Group and thus, based on the cash flow projections of the Group for the coming twenty months from 31 December 2019, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due. Accordingly, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Directors believe that the aforesaid matters will not be harmful to the business of the Company.

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance and the Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is overall responsible for evaluating and determining the nature and extent of risks that the Group is willing to take in achieving its strategic objectives, and establishing and maintaining sound and effective risk management and internal control systems. On an on-going basis, the Board performs supervision and annual inspection on the effectiveness of the internal control system and risk management.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Through the Audit Committee, the Board has conducted a review of the effectiveness of the internal control system of the Group on an annual basis and reviewed the works done by the Internal Audit Department which has a primary role in assessing and evaluating the effectiveness of the internal control system and acts independently and reports to the Board and the Audit Committee. The Company has engaged KPMG Advisory (China) Limited Beijing Branch (the “Internal Control Consultant”) to conduct internal control review of the Group for the year ended 31 December 2019. The Internal Control Consultant has established an internal control evaluation mechanism for the six risky business areas and 28 sub-business processes through system review, interview survey, sample test and data analysis conducted within the Group. The main risky business areas include equity investment and M&A management, capital management, contract management, asset disposal management, connected party transaction management and human resources management. The standard of risk assessment adopts the definition of major risk, important risk and general risk of the Exchange. The Company has established a major risk management mechanism driven by risk assessment results. The Group’s risk management and internal monitoring system mainly uses the online office automation system (OA system) as the first line of defense for risk management and internal control to monitor the operation. The Group will actively follow the suggestions of the Internal Control Consultant to revise and improve the internal control management measures, so as to restrict the risk management and internal control from the perspectives of internal control management activities, internal control system construction, organizational structure, internal control evaluation and defect identification; meanwhile, the Group will regularly engage external and professional internal control consultants to conduct internal control evaluation on the core areas of the Company’s risky business and make suggestions for improvement and optimization of internal control defects. The Group will ensure that these suggestions can be implemented within a reasonable time. The Board also authorized the risk control committee to manage and implement risk control procedures.

The Group regulates the handling and dissemination of inside information according to the “Guidelines on Disclosure of Inside Information” published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

Dealing with risk is an integral part of how it protects and creates value. Our business is principally engaged in development, investment, operation and management of renewable energy plants. Understanding emerging risks in the energy industry and establishing effective mitigation measures shows our commitment to a sustainable business. We have identified a number of risks associated with our business, which include:

REPORT OF CORPORATE GOVERNANCE

Weather and climate risk – renewable energy plants depend on the amount and intensity of natural resources, which is affected by weather and climate conditions. Adverse meteorological conditions can have a material impact on the plant's output and could result in production of electricity below expected output, which in turn could adversely affect our profitability.

Our response – We select renewable energy plant projects based on criteria such as geographical and meteorological conditions of the site as part of our main inspections. During the development and maintenance of our renewable energy plants, we cooperated with the leading suppliers in the PRC to create and develop equipment which can be adapted to different latitude, topography and climatic conditions. At the same time, we built up a professional team in respect of operation and maintenance of our existing renewable energy plants with strict operation and maintenance policy and risk prevention measures.

Policy risk – The Group's results of operations could be affected by government subsidies and incentives for renewable energy which depend, to a large extent, on political and policy developments relating to environmental concerns in the PRC and overseas markets in which the Group operate.

Our response – The Company selects renewable energy plant projects with applicable feed-in tariff and government subsidies, and strong demand and consumption for electricity in the locality. Also, the Company selects those plants which had been registered onto the Renewable Energy Tariff Subsidy Catalogues or had submitted the application regarding registration onto such catalogues in the PRC or similar regime in overseas markets. In the meantime, our operation and maintenance team pays close attention to the changes of local and national energy policies, gets timely feedback and takes related responses. The Company also proactively communicates with the local governments, grid companies and electricity consumption enterprises to provide more electricity transmission programmes.

Development and construction risk – When the Company develops and constructs renewable energy plants, it must first obtain the relevant local grid company's consent to connect our renewable energy plants to the local grid and appropriate government approvals and registrations. Obtaining such consent for on-grid connection and government approvals and registrations may depend on a number of factors, including but not limited to the availability and the reliability of existing grids, the progress of construction and the quality of these grid connection facilities, efficiency of the administrative bodies and the regulatory framework. Failure or delay in obtaining such consent, approvals or registrations may hinder or prevent the development of its renewable energy projects as planned. Besides that, the construction quality is also an important factor to affect the power generation efficiency of renewable energy plants.

Our response – The Company employs a strict and systematic approach to evaluate potential development projects. The Company maintains an updated list of qualified and reliable suppliers and third-party contractors with a proven track record to provide EPC services, through a bidding process or through our affiliates or other cooperative arrangements, to ensure the qualities of their services. Throughout the development process, the procurement and construction department organizes and collects bids, communicates with bidders and coordinates with our development teams to meet all local technical and legal requirements for on-grid connection and the construction of our projects. In the meanwhile, we also build up on site management team to inspect the construction quality and make sure the construction quality meets the Company's standard and requirement. The Company will assess location of development sites and secure site control for project development. We believe that its methodical approach to potential development of renewable energy projects, together with its deep industry knowledge, strong and long-standing relationship with other stakeholders will lend it an advantage in development of renewable energy projects.

Operation and maintenance risk – A majority of the Company's existing renewable energy plants are scattered across different regions in the PRC. The area in which the Company's plants are located is large and the number of devices is huge. The ongoing operation of its facilities involves risks that include the breakdown or failure of equipment or processes or performance below expected levels of output or efficiency due to, among other things, wear and tear, latent defects, design error, operator's error or force majeure events. Any curtailment of electricity we produce in the PRC could also have an adverse impact on its results of operations.

Our response – The Group has built up and maintained professional operation and maintenance team to provide preventive and corrective operating and maintenance service on site. At the same time, the Company regularly maintain its renewable energy plants with an intention to maximize the utilization rate, rate of power generation and system life of its renewable energy plants. The Company utilizes customized software "Global Smart PV Cloud Management" to enable remote and centralized management of most of our renewable energy plants, and employs mobile applications and devices to constantly and closely monitor and manage the performance and security of its renewable energy plants on a real-time basis and to ascertain the cause of any operational problems very shortly after it arises for efficient remedial or mitigation actions. The Company engages ground contractors who are on call to promptly remedy any issues that may arise. The development of transmission infrastructure and our participation in more power market transactions, including inter-provincial renewable energy transmission, help to mitigate loss from any curtailment.

Competition risk – The Company faces competition from local and international developers of renewable energy plants, many of whom are integrated with upstream manufacturers. We also face competition in circumstances where large local and multinational corporations operating in the PRC establish their own distributed renewable energy projects.

Our response – The Company has an established track record in acquiring, developing and operating a high quality and well diversified portfolio of renewable energy plants across the PRC. Our leading market position and extensive experience in the PRC renewable energy industry give us the opportunity to participate in solar energy policy discussions and enable us to have significant influence in the development of renewable energy industry related policies and standards. In 2013, the Company collaborated with state-owned enterprises to establish the Photovoltaic Green Ecosystem Organization, which was the first organization in the PRC that sought to connect and encourage collaboration among the numerous photovoltaic companies distributed across the value chain of the PRC renewable energy industry, and is believed to have significantly expanded the development and construction of utility-scale renewable energy plants in the PRC. The Company believes that its significant scale and leading position in the PRC renewable energy industry provide us with economies of scale, a broad base of operational experience and resources, bargaining power with EPC contractors and suppliers, and significant industry and regulatory relationships, which will continue to provide the Company with attractive renewable energy plant acquisition and development opportunities.

Finance risk – Renewable energy business requires intensive capital investments. Significant amount of capital is required to meet our capital requirements and fund our operations, including payments to suppliers for products, equipment and components and to contractors for design, engineering, procurement and construction services. Our ability to meet the payment obligations of our outstanding debt depends on our ability to generate significant cash flow in the future and obtaining external financing. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other conditions that are beyond our control.

Our response – Our leading position in the PRC renewable energy industry, the support from the Shareholders and the strong relationships with our lending banks provide us with access to a variety of tailored financing solutions, including onshore solutions, such as financial lease and project finance, and offshore solutions, such as equity financing, through new shares allotments, and debt financing, through the offering of US-dollar senior notes. The Company plans to actively reduce its financing costs and further diversify its channels of financing. The Company believes its stable cash flow profile, the long-term nature of its operation of renewable energy plants and its ability to raise equity and debt capital to finance growth, provide it with flexibility to optimize our capital structure.

REPORT OF CORPORATE GOVERNANCE

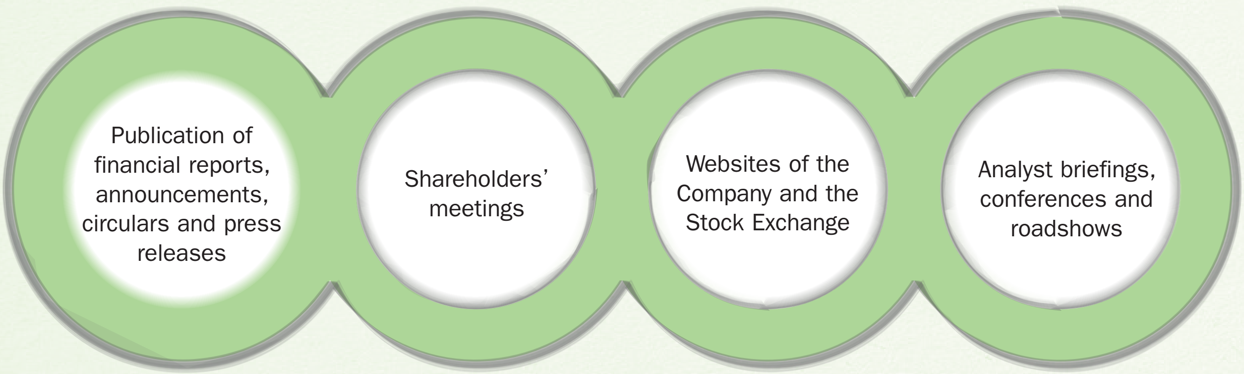
DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to each Director, all of them have confirmed that they have complied with the required standard set out in the Model Code and our own code throughout the year ended 31 December 2019.

COMPANY SECRETARY

Ms. Zhang Xiao was appointed as the Company Secretary and the authorised representative of the Company on 30 July 2019. Ms. Zhang is a manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional services provider specializing in corporate services, and has over seven years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom in 2019. Ms. Zhang obtained a bachelor's degree in Computer Science from The Chinese University of Hong Kong in 2010 and a master's degree in corporate governance from The Open University of Hong Kong in 2018. Mr. Zhang Ping, the Chairman of the Board, the executive Director and the Chief Executive Officer of the Company, is the primary contact of Ms. Zhang at the Company. All Directors have access to the advice and services of Ms. Zhang to ensure that board procedures, and all applicable law, rules and regulations, are followed. During the year ended 31 December 2019, Ms. Zhang has taken more than 15 hours of relevant professional training according to Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION



The Company adopted a shareholders communication policy on 26 March 2013, which stipulates the objectives of the Company in communicating with its Shareholders, both individual and institutional, and, where appropriate, the investment community at large. The Company aims to provide its Shareholders timely and clear information, and allow the Shareholders to engage actively with the Company in exercising their rights.

Information is communicated to the Shareholders mainly through general meetings, the Company's website (http://www.pandagreen.com) and corporate communications including interim and annual reports, notices, announcements and circulars which are available on websites of the Company and the Stock Exchange and hard copies of reports and circulars that are despatched to the Shareholders.

Corporate strategies and latest business development of the Group are also communicated with investors and analysts through various investor relations activities such as analyst briefings, conferences and roadshows. Details of investor events are disclosed in the "Investor Relations" section of this report.

REPORT OF CORPORATE GOVERNANCE

The Board is dedicated to maintaining an on-going dialogue with the Shareholders. Shareholders are encouraged to participate in general meetings or appoint proxies to attend and vote at general meetings for and on behalf of them if they are unable to attend in person. Directors will make an effort to attend and the external auditors will also be available at the annual general meeting to address Shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval, members of the independent board committee of the Company will also make an effort to attend to address Shareholders' queries. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at general meetings are taken by poll.

The important dates for corporate events of the Company are set out in the IR Calendar under the Investor Relations section of the Company's website.

Shareholders' rights

Calling and putting forward proposals at a general meeting of the Company

Pursuant to Bye-law 58 of the Bye-Laws, Shareholders holding at the date of deposit of requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition. Such written requisition must be duly signed by the Shareholders concerned and to be verified by the Company's share registrar. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

To request to convene an SGM, the requisitionists shall deposit their requisition in writing, together with the proposals to be considered at such meeting, at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Chairman of the Board and the Company Secretary. The requisition will be verified with the Company's share registrars. If it is in order, the Company Secretary will pass the requisition to the Board for consideration and an SGM will be convened by sufficient notice to all the registered Shareholders in accordance with the requirements under the Bye-Laws. On the contrary, if the requisition is invalid, no SGM will be convened and the requisitionists will be advised of this outcome.

To put forward proposals at a Shareholders' meeting of the Company, a Shareholder should lodge a written request setting out the proposals duly signed by the Shareholder concerned at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Chairman and the Company Secretary. The request will be verified by the Company's share registrars. If it is in order, the Company Secretary will pass the request to the Board for consideration. The Board will decide whether it is valid and appropriate to put such proposals at a Shareholders' meeting.

Proposing a candidate for election as a Director at a general meeting

Pursuant to Bye-law 85 of the Bye-Laws, no person other than a Director retiring at the general meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office (as defined in the Bye-Laws) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

REPORT OF CORPORATE GOVERNANCE

Accordingly, to nominate a person for election as a Director, a Shareholder shall lodge a written notice duly signed by the Shareholder concerned at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Company Secretary. In order for the Company to inform all Shareholders of that proposal, the written notice must include the following information: (i) the full name of the person proposed for election as a Director; (ii) his/her biographical details as required under Rule 13.51(2) of the Listing Rules; and (iii) the candidate's written confirmation on his/her willingness to be elected as a Director and written consent to the publication of his/her personal data as required by the Listing Rules. The notice will be verified by the Company's share registrars. If it is in order, the Company Secretary will pass the notice to the Nomination Committee for examination. The Nomination Committee will assess the suitability of the candidate proposed by the Shareholder and make recommendations to the Board on the selection of individuals nominated for directorship if it thinks fit and appropriate. If such notice is received by the Company after publication of the notice of the Shareholders' meeting concerned, the Company will publish an announcement or issue a supplementary circular setting out the particulars of the proposed Director and may need to adjourn the Shareholders' meeting as and when required by the Bye-Laws.

We have posted on the Company's website the procedures for Shareholders to convene and put forward proposals at general meetings including proposing a person for election as a Director, and to vote by poll at general meetings.

Enquiries

Shareholders may directly enquire about their shareholdings to the Company's share registrar. To the extent the requisite information of the Company is publicly available, Shareholders and the investment community who have enquiries in respect of the Company may write to the Company Secretary by post to Unit 1012, 10th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong or by email to csd@pandagreen.com.

The Board has reviewed corporate governance practices of the Company during the year ended 31 December 2019 and this corporate governance report. It will continue to review, monitor and improve the policies and practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year ended 31 December 2019.

* For identification purpose only

DIRECTORS' REPORT

The Board is pleased to present their report together with the audited consolidated financial statements of Panda Green Energy Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2019, being the year under review.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and operates its businesses through its subsidiaries. The Group is principally engaged in development, investment, operation and management of solar power plants and other renewable energy projects.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2019, and discussion of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2019 are provided in the "Management Discussion and Analysis" of this report. A discussion on the Group's likely future business development are provided in the "Letter to Investors". Our risk management system and description of the principal risks and uncertainties the Company may be facing are provided in the "Report of Corporate Governance" of this report. An analysis of the Group's performance during the year ended 31 December 2019 using financial key performance indicators is provided in the "Five-year Financial Summary" of this report.

In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the sections headed "Management Discussion and Analysis" of this report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss.

The material matters for the members' appreciation of the state of the Company's affairs and the Directors' opinion are contained in the "Report of Corporate Governance" of this report.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 December 2019 (2018: Nil).

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for each of the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 191 of this report. This summary does not form part of the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company and its movements during the year ended 31 December 2019 are set out in Note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws, or Companies Act 1981 of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2019, the Company had no reserve (31 December 2018: Nil) available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account in the amount of RMB8,194 million as at 31 December 2019 (31 December 2018: RMB7,201 million) may be distributed in the form of fully paid bonus shares.

DONATION

During the year ended 31 December 2019, the Group had made donations of approximately RMB6 million (2018: approximately RMB2 million).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 20% and 100% respectively (2018: approximately 18% and 100% respectively) of the Group's total revenue for the year ended 31 December 2019. Besides, the total amount of purchases attributable to the five largest suppliers of items which are not of capital nature was less than 30% of the total purchases of the Group.

None of the Directors or any of their close associate(s) or any substantial shareholder (which to the best knowledge of the Directors owns more than 5% of the number of issued shares of the Company) of the Company had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this report are as follows:

Executive Directors

Mr. Zhang Ping *(Chairman and Chief Executive Officer) (appointed with effect from 21 February 2020)*
Mr. Lu Zhenwei
Mr. Xu Jianjun *(appointed with effect from 27 June 2019)*
Mr. Huang Hui *(Chief Financial Officer) (appointed with effect from 21 February 2020, resigned with effect from 29 June 2020)*
Ms. Zhong Hui *(appointed with effect from 27 June 2019, resigned with effect from 21 February 2020)*
Mr. Chen Qinglong *(appointed with effect from 27 June 2019, resigned with effect from 21 February 2020)*
Mr. Li Alan *(resigned with effect from 27 June 2019)*
Mr. Li Hong *(resigned with effect from 27 June 2019)*
Mr. Li Guangqiang *(resigned with effect from 27 June 2019)*

Non-executive Directors

Mr. Sui Xiaofeng *(appointed with effect from 29 June 2019)*
Mr. Chen Dayu *(appointed with effect from 29 June 2019)*
Mr. Li Hao
Ms. Xie Yi *(appointed with effect from 22 January 2019)*
Mr. Yu Qiuming *(re-designated with effect from 27 June 2019)*
Mr. Wang Heng *(appointed with effect from 27 June 2019, resigned with effect from 29 June 2020)*
Mr. Tang Wenyong *(resigned with effect from 27 June 2019)*

Independent Non-executive Directors

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Chen Hongsheng *(appointed with effect from 21 January 2019)*

In accordance with Bye-law 84 of the Bye-Laws, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third), shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Mr. Lu Zhenwei, Mr. Yu Qiuming, Mr. Kwan Kai Cheong and Mr. Chen Hongsheng, being one-third of the Directors, shall retire from office by rotation and be eligible for re-election at the forthcoming AGM.

None of the Directors proposed for re-election at the AGM has entered into any service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company has assessed their independence and considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 13 of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed below in the section headed "Connected Transactions", "Continuing Connected Transactions" and "Significant Related Party Transactions" in Note 37 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly subsisted at the end of the year ended 31 December 2019 or at any time during the year ended 31 December 2019.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, at no time during the year ended 31 December 2019 had the Company or any of its subsidiaries, its holding company, or any subsidiary of its holding company was a party entered into any contract of significance with the controlling shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, other than disclosed in the section headed "Share Option Scheme" below, none of the Directors or the chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Under the Bye-Laws, every Director is entitled to be indemnified out of the assets and profits of the Company against all actions and losses which he/she may incur or sustain or in or about the execution/discharge of the duties of his/her office or otherwise in relation thereto, to the extent as permitted by law.

Furthermore, during the year ended 31 December 2019, the Company has taken out and maintained appropriate director's and officers' liability insurance to protect the current directors of the Group and the directors of the Group who resigned during the year against potential costs and liabilities arising from claims brought against them. The permitted indemnity provision is currently in force and was in force throughout the year ended 31 December 2019 for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" below, at no time during the year ended 31 December 2019 was the Company, its holding company, any of its subsidiaries, or any subsidiaries of its holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the year under review.

EQUITY-LINKED AGREEMENTS

Save as disclosed in (i) the sections headed "Share Option Scheme" and "Equity Incentive Scheme" below, (ii) the issue and/or movement of equity/convertible securities as described in the section headed"Fundraising Activities Through Issue of Equity/Convertible Securities" and (iii) as set out in Note 27 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year under review, or subsisted at the end of the year under review.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 19 June 2012, the Shareholders approved the adoption of a share option scheme (the "Share Option Scheme"). On 8 January 2015, a total of 64,500,000 share options to subscribe for 64,500,000 shares were granted under the Share Option Scheme. On 28 January 2016, a total of 36,568,319 share options to subscribe for 36,568,319 shares were granted under the Share Option Scheme.

DIRECTORS' REPORT

As the original scheme limit of the Share Option Scheme had been almost fully utilised, the scheme limit of the Share Option Scheme was refreshed by the Shareholders' approval at the annual general meeting held on 26 May 2017. After the refreshment, a total of 589,250,000 share options to subscribe for 589,250,000 shares were granted on 16 June 2017, and 80,000,000 share options to subscribe for 80,000,000 shares were granted on 12 September 2017. Details of the share options granted under the Share Option Scheme to Directors and employees of the Group and movement in such holding during the year ended 31 December 2019 are as follows:

					Changes during the year					
Grantees	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2019	Granted	Exercised	Reclassified	Lapsed	Outstanding at 31 December 2019	Exercise period (Note)
1. Directors										
Mr. Li, Alan (Resigned on 27 June 2019)	8 January 2015	1	1	6,000,000	–	–	–	(6,000,000)	–	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	2,100,000	–	–	–	(2,100,000)	–	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	80,000,000	–	–	–	(80,000,000)	–	16 June 2018 to 15 June 2022
Mr. Lu Zhenwei	8 January 2015	1	1	2,000,000	–	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	3,000,000	–	–	–	–	3,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	5,000,000	–	–	–	–	5,000,000	16 June 2018 to 15 June 2022
Mr. Yu Qiuming	12 September 2017	1.132	1.13	70,000,000	–	–	–	–	70,000,000	12 September 2018 to 11 September 2022
Mr. Li Hong (Resigned on 27 June 2019)	8 January 2015	1	1	2,000,000	–	–	–	(2,000,000)	–	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	2,100,000	–	–	–	(2,100,000)	–	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	80,000,000	–	–	–	(80,000,000)	–	16 June 2018 to 15 June 2022
Mr. Li Guangqiang (Resigned as an executive Director on 27 June 2019, and continue to act as the chief operating officer of the Company)	28 January 2016	0.564	0.54	98,000	–	–	(98,000)	–	–	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	5,000,000	–	–	(5,000,000)	–	–	16 June 2018 to 15 June 2022

DIRECTORS' REPORT

Grantees	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2019	Changes during the year: Granted	Exercised	Reclassified	Lapsed	Outstanding at 31 December 2019	Exercise period (Note)
Mr. Tang Wenyong (Resigned on 27 June 2019)	28 January 2016	0.564	0.54	1,000,000	–	–	–	(1,000,000)	–	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	(3,000,000)	–	16 June 2018 to 15 June 2022
Mr. Kwan Kai Cheong	8 January 2015	1	1	2,000,000	–	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	1,000,000	–	–	–	–	1,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	–	3,000,000	16 June 2018 to 15 June 2022
Mr. Yen Yuen Ho, Tony	8 January 2015	1	1	2,000,000	–	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	1,000,000	–	–	–	–	1,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	–	3,000,000	16 June 2018 to 15 June 2022
Mr. Shi Dinghuan	8 January 2015	1	1	2,000,000	–	–	–	–	2,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	1,000,000	–	–	–	–	1,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	–	3,000,000	16 June 2018 to 15 June 2022
2. Other officers and employees	8 January 2015	1	1	11,400,000	–	–	–	(2,000,000)	9,400,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	5,268,319	–	–	98,000	(965,319)	4,401,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	202,500,000	–	–	5,000,000	(11,000,000)	196,500,000	16 June 2018 to 15 June 2022

DIRECTORS' REPORT

Grantees	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2019	Changes during the year: Granted	Exercised	Reclassified	Lapsed	Outstanding at 31 December 2019	Exercise period (Note)
3. Others	8 January 2015	1	1	3,000,000	–	–	–	–	3,000,000	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	700,000	–	–	–	–	700,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	–	3,000,000	16 June 2018 to 15 June 2022
Total			–	505,166,319	–	–	–	(190,165,319)	315,001,000	

Note:

All share options granted by the Company shall vest in three tranches within a period of 3 years in proportions of 30%, 30% and 40% of the share options granted, i.e. 30% of the share options granted shall vest on the 1st anniversary of the grant, another 30% shall vest on the 2nd anniversary of the grant, and the remaining 40% shall vest on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.

A summary of principal terms of the Share Option Scheme is set out below:

On 19 June 2012, the Company adopted the Share Option Scheme at the annual general meeting, under which the Board may, at their discretion, invite full-time employees and directors of the Group, advisors or consultants to the Group, providers of goods and/or services or customers of the Group, shareholders of any member of the Group or any other person who, as determined by the Board, has contributed to the Group, to subscribe for shares at any time during ten years from the date of grant.

The purpose of the Share Option Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group.

By reason of voluntary resignation or by termination of employment in accordance with the provisions of employment contract, other than on redundancy, or because the relevant employing company ceases to be a member of the Group, all share options granted to the relevant person, to the extent of those not already exercised, shall lapse and the date of the lapse shall be determined by the Directors.

The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme unless the Company obtains a fresh approval from the Shareholders. Notwithstanding the foregoing, the maximum number of shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

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The total number of shares issued and to be issued upon exercise of the share options granted to each participant (including exercised, cancelled and outstanding share options) in any twelve-month period shall not exceed 1% of the total number of shares in issue.

Share options granted under the Share Option Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board and notified to an eligible participant and shall be no less than the higher of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day;

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

As at 24 August 2020, 482,845,548 share options to subscribe for a total of 482,845,548 Shares, representing approximately 2.15% of the Company's total number of issued Shares as at the date of this report were available for issue under the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after its adoption date and the remaining life of the Share Option Scheme is 2 years.

EQUITY INCENTIVE SCHEME

Prior to the acquisition of China Solar Power Group Limited ("CSPG") by the Group in 2013, an equity incentive scheme (the "EIS") was adopted by CSPG to the effect that 25,000,000 ordinary shares of the CSPG with a par value of US$0.01 each were issued to a trustee company (the "Trustee").

As part of the acquisition of CSPG, 20,010,000 Shares, Series A convertible bonds with a principal amount of HK$40,020,000 and Series B convertible bonds with a principal amount of HK$40,020,000 were issued to the Trustee in exchange for the CSPG shares held by the Trustee. All Series A convertible bonds and Series B convertible bonds held by the Trustee had been converted into the Shares before the year under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following Shareholders (other than those disclosed in the section headed "Directors' and Chief Executives' interests in Shares, Underlying Shares and Debentures") had notified the Company or the Stock Exchange of relevant interests or short positions in the shares, underlying shares or debentures of the Company.

Long position in the Shares and Underlying Shares

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Total number of Shares held	Percentage of the issued Shares (Note 1)
Beijing Energy Investment Holding (Hong Kong) Co., Limited ("Beijing Energy Investment")	Beneficial Owner	–	7,176,943,498 (Note 2)	7,176,943,498	47.06%
China Merchants Group Limited ("CMG")	Interest in controlled corporation	2,440,387,089 (Note 3)	194,395,096 (Note 3)	3,832,229,603	25.13%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,028,894,240 (Note 4)	168,553,178 (Note 4)		
China Merchants New Energy Group Limited ("CMNEG")	Beneficial owner	579,944,250	–	3,832,229,603	25.13%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,537,344,513 (Note 5)	362,948,274 (Note 5)		
	Other	1,351,992,566 (Note 6)	–		
New Energy Exchange Limited ("NEX")	Beneficial owner	274,055,449	–	3,832,229,603	25.13%
	Interest in controlled corporation	186,627,621	–		
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	3,008,598,259 (Note 7)	362,948,274 (Note 7)		

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Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Total number of Shares held	Percentage of the issued Shares (Note 1)
China Huarong Asset Management Co., Limited	Interest in controlled corporation	3,048,927,933 (Note 8)	–	3,048,927,933	19.99%
Huaqing Solar Power Limited	Beneficial owner	3,048,750,000 (Note 9)	–	3,048,750,000	19.99%
ORIX Corporation	Interest in controlled corporation	1,074,138,234 (Note 10)	–	1,461,948,993	9.59%
	Others	–	387,810,759 (Note 10)		
China Merchants Securities Co., Ltd.	Interest in controlled corporation	1,407,404,937 (Long position) (Note 11)	–	1,407,404,937	9.23%
	Interest in controlled corporation	1,351,992,566 (Short position) (Note 12)	–	1,351,992,566	8.87%
China Structural Reform Fund Co., Limited	Interest in controlled corporation	1,216,793,309 (Note 13)	–	1,216,793,309	7.98%
Postal Savings Bank of China Co., Ltd.	Interest in controlled corporation	1,216,793,309 (Note 14)	–	1,216,793,309	7.98%
Li Alan	Beneficial owner	99,005,000	–	3,931,234,603	25.78%
	Interest in controlled corporation	510,859,422 (Note 11)	168,553,178 (Note 15)		
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	2,958,421,907 (Note 12)	194,395,096 (Note 16)		

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Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Total number of Shares held	Percentage of the issued Shares (Note 1)
Zeng Xiangyi	Beneficial owner	15,603,800	–	3,847,833,403	25.23%
	Beneficial owner of a trust	6,403,200 (Note 17)	–		
	Interest in controlled corporation	50,948,548 (Note 18)	–		
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	3,411,929,581 (Note 15)	362,948,274 (Note 16)		
He Bing	Beneficial owner	559,701,493	–	942,098,307	6.18%
	Interest in controlled corporation	382,396,814 (Note 19)	–		

Notes:

1. These percentages are calculated based on 15,251,004,934 listed Shares in issue as at 31 December 2019.

2. These Shares were held by Beijing Energy Investment, which is a direct wholly-owned subsidiary of BEH.

3. Among these Shares and warrants, (i) 508,450,273 Shares and 194,395,096 unlisted warrants were held by Snow Hill Developments Limited ("Snow Hill"), an indirect wholly-owned subsidiary of CMG; (ii) 579,944,250 Shares were held by CMNEG, which is indirectly owned as to 79.36% by CMG; (iii) the economic interests of 1,216,793,309 Shares were beneficially owned by Shenzhen Guotiao China Merchants Merger and Acquisition Equity Investment Fund (LP)*（深圳國調招商併購股權投資基金合夥企業（有限合夥））, which is managed by Shenzhen City China Merchants Huihe Equity Investment Fund Management Co., Limited*（深圳市招商慧合股權投資基金管理有限公司）as general partner, an indirect wholly-owned subsidiary of CMG; and (iv) the economic interests of 135,199,257 Shares were beneficially owned by Shenzhen City Guoxie First Equity Investment Fund (LP)*（深圳市國協一期股權投資基金合夥企業（有限合夥））, which is managed by Shenzhen City China Merchants Guoxie First Equity Investment Fund Management Co., Limited*（深圳市招商國協壹號股權投資基金管理有限公司）as general partner, an indirect wholly-owned subsidiary of CMG.

4. These Shares and warrants were held by a group of Shareholders acting in concert with CMNEG, including NEX, Pairing Venture Limited, Magicgrand Group Limited, Sino Arena Investments Limited and China Green Holdings Limited, pursuant to an agreement under Section 317 of the SFO. CMG was taken to be interested in 1,028,894,240 Shares and 168,553,178 unlisted warrants.

5. These Shares and warrants were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO. CMNEG was taken to be interested in 1,537,344,513 Shares and 362,948,274 unlisted warrants.

6. Shenzhen Guotiao China Merchants Merger and Acquisition Equity Investment Fund (LP)*（深圳國調招商併購股權投資基金合夥企業（有限合夥））and Shenzhen City Guoxie First Equity Investment Fund (LP)*（深圳市國協一期股權投資基金合夥企業（有限合夥））, being the associates of CMNEG, entered into conditional subscription agreements with the Company for the subscription of 1,216,793,309 Shares and 135,199,257 Shares.

7. These Shares and warrants were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO. NEX was taken to be interested in 3,008,598,259 Shares and 362,948,274 unlisted warrants.

8. These Shares were held by the subsidiaries of China Huarong Overseas Investment Holdings Co., Limited*（中國華融海外投資控股有限公司）, which is an indirect wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd.*（華融華僑資產管理股份有限公司）, owned as to 91% by Huarong Zhiyuan Investment & Management Co., Ltd.*（華融致遠投資管理有限責任公司）.

9. These Shares were held by Huaqing Solar Power Limited, which is an indirectly wholly-owned by Qingdao City Construction Investment (Group) Co., Ltd.*（青島城市建設投資（集團）有限責任公司）.

10. These 1,074,138,234 Shares and 387,810,759 unlisted warrants were held by ORIX Asia Capital Limited, which is a wholly-owned subsidiary of ORIX Corporation.

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11. Among these Shares, 55,412,371 Shares were held by China Merchants Fund Management Co., Ltd.*(招商基金管理有限公司), which is owned as to 45% by China Merchants Securities Co., Ltd., and 1,351,992,566 Shares were held by Bosera Asset Management Co., Limited*(博時基金管理有限公司)("Bosera"), which is owned as to 49% by China Merchants Securities Co., Ltd.

12. Bosera entered into an agreement with Shenzhen City China Merchats Technology Investment Ltd.*(深圳市招商局科技投資有限公司)("Shenketou"), pursuant to which Bosera holds the 1,351,992,566 shares under its name (through a product) and transfer the economic interest of the shares to Shenketou; and Shenketou has entered into an agreement with Shenzhen Guotiao China Merchants Merger and Acquisition Equity Investment Fund (LP)*(深圳國調招商併購股權投資基金 合夥企業(有限合夥))and Shenzhen City Guoxie First Equity Investment Fund (LP)*(深圳市國協一 期股權投資基金合夥企業(有限合夥))pursuant to which Shenketou will transfer the economic interest of the shares it has received to Shenzhen Guotiao China Merchants Merger and Acquisition Equity Investment Fund (LP)*(深圳國調招商併購股權投資基金合夥企業(有限合夥))and Shenzhen City Guoxie First Equity Investment Fund (LP)*(深圳市國協一期股權投資基金合夥企業(有限合夥)).

13. The economic interests of these shares were beneficially owned by Shenzhen Guotiao China Merchants Merger and Acquisition Equity Investment Fund (LP)*(深圳國調招商併購股權投資基金合夥企業(有限合夥)), which is owned as to 75.81% by China Structural Reform Fund Co., Limited*(中國國有企業結構調整基金股份有限公司). China Structural Reform Fund Co., Limited*(中國國有企業結構調整基金股份有限公司)is indirectly owned as to 38.2% by CCB Trust Co. Ltd.*(建信信托有限責任公司)and 22.9% by China Chengtong Holding Group Co., Ltd.*(中國誠通控股集團有限公司), and managed by Chengtong Fund Management Co., Ltd.*(誠通基金管理有限公司)as general partner.

14. Postal Savings Bank of China Co., Ltd.*(中國郵政儲蓄銀行股份有限公司)is beneficiary of a trust named CCB Trust – Indus tree collective fund trust plan (asset allocation class 26 investment unit)*(建信信托 – 梧桐樹集合資金信托計劃(資產配置類26號投資單元))which has long position of these Shares.

15. Among these Shares and warrants, 18,173,487 Shares were held by Pairing Venture Limited, and 492,685,935 Shares and 168,553,178 warrants were held by Magicgrand Group Limited, which is owned as to 61.17% by Pairing Venture Limited.

16. These Shares and warrants were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO, and the associates of CMNEG, namely Shenzhen Guotiao China Merchants Merger and Acquisition Equity Investment Fund (LP)*(深圳國調招商併購股權投資基金合夥企業(有限合夥))and Shenzhen City Guoxie First Equity Investment Fund (LP)*(深圳市國協一期股權投資基金合夥企業(有限合夥)).

17. These Shares were held by Sino Arena Investments Limited under a trust arrangement.

18. These Shares were held by Sino Arena Investments Limited, which is held as to 100% by Zeng Xiangyi.

19. These Shares were held by Asia Pacific Energy and Infrastructure Investment Group Limited*(亞太能源及基礎設施投資集團有限公司), which is wholly-owned by He Bing.

20. Further to the Shareholders as set out above, as at 31 December 2019, each of China Green Holdings Limited (an indirect wholly-owned subsidiary of NEX), Sino Arena Investments Limited, Magicgrand Group Limited and Pairing Venture Limited, was holding 2,205,621 Shares, 57,351,748 Shares, 492,685,935 Shares and 18,173,487 Shares respectively, each being a party acting in concert with CMNEG, Snow Hill and NEX pursuant to an agreement under Section 317 of the SFO.

Save as disclosed above, the Directors are not aware of any person (not being a Director or a chief executive) who, as at 31 December 2019, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group) was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CONNECTED TRANSACTIONS

The Company conducted the following connected transactions required to be disclosed under the Listing Rules during the year ended 31 December 2019.

A. Subscription of New Shares Under Specific Mandate

On 20 January 2019, at the nomination of China Merchants New Energy Group Limited ("CMNEG"), the Company and State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (LP)*（深圳國調招商併購股權投資基金合夥企業（有限合夥）(the "Subscriber I"), being the nominee of CMNEG, entered into a subscription agreement, pursuant to which the Subscriber I subscribed for and the Company allotted and issued 1,216,793,309 new Shares at the subscription price of HK$0.3 per share on 21 March 2019 (the "Subscription I").

On 20 January 2019, at the nomination of CMNEG, the Company and Shenzhen City Guoxie First Equity Investment Fund (LP)*（深圳市國協一期股權投資基金合夥企業（有限合夥））(the "Subscriber II"), being the nominee of CMNEG, entered into a subscription agreement, pursuant to which the Subscriber II subscribed for and the Company allotted and issued 135,199,257 new Shares at the subscription price of HK$0.3 per share on 21 March 2019 (the "Subscription II").

On 20 January 2019, the Company and China Huarong Overseas Investment Holdings Co., Limited (the "Subscriber III"), entered into a subscription agreement, pursuant to which the Subscriber III subscribed for and the Company allotted and issued 938,054,087 new Shares at the subscription price of HK$0.3 per share on 21 March 2019 (the "Subscription III").

As at the date of entering into the above subscription agreements, the Subscriber I, the Subscriber II and the Subscriber III were associates of existing substantial Shareholders and the connected persons of the Company. Accordingly, the Subscription I, the Subscription II and the Subscription III were connected transactions on the part of the Company under the Listing Rules and were subject to the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 20 January 2019, 21 February 2019, 18 March 2019 and 21 March 2019 respectively, and the circular of the Company dated 1 March 2019 for more details.

B. Equity Transfer Agreements

On 22 March 2019, State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (LP)*（深圳國調招商併購股權投資基金合夥企業（有限合夥））(the "Purchaser I"), United Photovoltaics (Changzhou) Investment Group Co., Ltd.*（聯合光伏（常州）投資集團有限公司）(the "Vendor"), a wholly-owned subsidiary of the Company, and Fengxian Huize Photovoltaic Energy Limited*（豐縣暉澤光伏能源有限公司）(the "Target Company") entered into an agreement (the "Equity Transfer Agreement I"), pursuant to which the Vendor sold, and the Purchaser I acquired 17% equity interest in the Target Company for a total consideration of RMB43,350,000 (the "Disposal I").

On 5 July 2019, Zhangjiagang City Zhaogang Equity Investment Fund (LP)*（張家港市招港股權投資合夥企業（有限合夥））(the "Purchaser II") and Vendor, entered into an agreement (the "Equity Transfer Agreement II"), pursuant to which the Vendor sold, and the Purchaser II acquired 17% equity interest in the Target Company for a total consideration of RMB43,350,000 (the "Disposal II").

As at the date of the Equity Transfer Agreement I and Equity Transfer Agreement II (the "Agreements"), the Target Company owned a solar power plant with an installed capacity of 3.8MW and owned a solar power plant with an installed capacity of 20MW.

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As at the date of the Equity Transfer Agreement I, the Purchaser I was an investment fund established in the PRC. As the general partner of the Purchaser I was an associate of CMNEG, and was therefore a connected person of the Company. Accordingly, the Disposal I constituted a connected transaction of the Company.

As at the date of the Equity Transfer Agreement II, the Purchaser II was an investment fund established in the PRC. As the general partner of the Purchaser II was an associate of CMNEG, and was therefore a connected person of the Company. Accordingly, the Disposal II constituted a connected transaction of the Company.

As the above agreements had been entered into within the same 12-month period, the Company had aggregated them and treated aggregation of transactions (the "Aggregated Transactions") as if they were one transaction in accordance with Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to each of the above agreements on a stand-alone basis, and with reference to the Aggregated Transactions on an aggregated basis both exceed 0.1% but did not exceed 5%, the above agreements were subject to the reporting and announcement requirements but were exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 22 March 2019 and 5 July 2019 respectively for more details.

C. Dealer Manager Agreement

On 16 December 2019, the exchange offer made by the Company subject to the terms and conditions as set out in the exchange offer memorandum (the "Exchange Offer"). The Company applied for the listing of US$350,000,000 in aggregate principal amount of 8.25% guaranteed senior notes due 2020 issued by the Company on the Stock Exchange.

In connection with the Exchange Offer, the Company has entered into the dealer manager agreement (the "Dealer Manager Agreement") pursuant to which CMB International Capital Limited（招銀國際融資有限公司）("CMB International") was appointed as dealer manager.

In consideration of the services of CMB International in connection with the Exchange Offer, CMB International was entitled to a transaction fee to be determined by way of a fee letter, which shall in any event not exceed 1% of the total principal amount of existing bonds tendered for exchange under the Exchange Offer, which is payable whether or not the Company consummates the Exchange Offer.

The transaction fee was negotiated on an arm's length basis between the Company and CMB International and determined with reference to, among other things, the market rate for services of similar nature.

As at the date of the Dealer Manager Agreement, CMB International was an indirect subsidiary of China Merchants Group Limited（招商局集團有限公司）("CMG"), which was an indirect substantial shareholder of the Company. Accordingly, CMB International was an associate of CMG and a connected person of the Company and entry of the Dealer Manager Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Dealer Manager Agreement, when aggregated with the fees paid under the engagement of CMB International and an associate of CMG as joint financial advisers to the Company in connection with a share subscription (the subject of the circular of the Company dated 1 March 2019), exceeded 0.1% but did not exceed 5%, the entry of the Dealer Manager Agreement was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 16 December 2019 for more details.

CONTINUING CONNECTED TRANSACTIONS

A summary of continuing connected transactions which took place during the year under review is as below:

A. Provision of Solar Electricity by the Group to CMLH and its Affiliates

On 16 December 2014, China Merchants Zhangzhou Development Zone Silk Road Ark Carbon Asset Management Co., Ltd. (formerly known as China Merchants Zhangzhou Development Zone Trendar Solar Tech Limited*（招商局漳州開發區創達太陽能科技有限公司）("ZZCAM"), a subsidiary of the Company, and China Merchants Logistics Holdings Limited*（招商局物流集團有限公司）("CMLH") entered into a rooftop solar power plants framework agreement (the "Rooftop Solar Power Plants Framework Agreement") pursuant to which, among others, CMLH agreed to lease to the ZZCAM certain rooftops of five of warehouses, distribution centres and other logistics network buildings being built or to be built by CMLH.

On 30 November 2016, pursuant to the Rooftop Solar Power Plants Framework Agreement, the Group entered into the following power purchase agreements with the designated subsidiaries of CMLH for the sale of electricity generated by the rooftop solar power plants installed by the Group on the rooftop leased for a term of 20 years:

(a) power purchase agreement entered into between Kunming Bangye New Energy Power Company Limited*（昆明邦業新能源發電有限公司）, an indirect subsidiary of the Company and China Merchants Logistics Group Yunnan Co., Ltd.*（招商局物流集團雲南有限公司）, a subsidiary of CMLH, for the sale of electricity generated by a 2.4MW rooftop solar power plant located in Kunming, the PRC;

(b) power purchase agreement entered into between Ningbo Bonded Area Zhaolian Lvbang New Energy Company Limited*（寧波保稅區招聯綠邦新能源有限公司）, an indirect subsidiary of the Company and China Merchants Logistics Group Ningbo Co., Ltd.*（招商局物流集團寧波有限公司）, a subsidiary of CMLH, for the sale of electricity generated a 3MW rooftop solar power plant located in Ningbo, the PRC; and

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(c) power purchase agreement entered into between Nanchang Lvbang New Energy Company Limited*（南昌市綠邦新能源有限公司）, an indirect subsidiary of the Company and China Merchants Logistics Group Nanchang Co., Ltd.*（招商局物流集團南昌有限公司）, a subsidiary of CMLH, for the sale of electricity generated a 2MW rooftop solar power plant located in Nanchang, the PRC.

On 12 July 2017, pursuant to the Rooftop Solar Power Plants Framework Agreement, the Group entered into the other two power purchase agreements with the designated subsidiaries of CMLH for the sale of electricity generated by the rooftop solar power plants installed by the Group on the rooftop leased for a term of 20 years:

(d) power purchase agreement entered into between Qingdao Lvbang New Energy Company Limited*（青島綠邦新能源有限公司）, an indirect subsidiary of the Company and China Merchants Logistics Group Qingdao Co., Ltd.*（招商局物流集團青島有限公司）, a subsidiary of CMLH, for the sale of electricity generated from a 4.1MW rooftop solar power plant located in Qingdao, the PRC; and

(e) power purchase agreement entered into between Hefei Bangye New Energy Power Company Limited*（合肥邦業新能源發電有限公司）, an indirect subsidiary of the Company and China Merchants Logistics Group Anhui Co., Ltd.*（招商局物流集團安徽有限公司）, a subsidiary of CMLH, for the sale of electricity generated from a 2.4MW rooftop solar power plant located in Hefei, the PRC.

((a) – (e) together, the "Power Purchase Agreements")

Term – 20 years.

Pricing – Having negotiated on an arm's length basis according to the principles of fairness and reasonableness between CMLH and the Group, electricity will be supplied at a unit price which shall be calculated based on the government prescribed price (exclusive of tax) with a discount rate of 14% per kWh having considered the nature of the long term electricity supply agreement, the projected consumption of electricity generated by the rooftop solar power plants installed at the leased rooftops from subsidiaries of CMLH with favourable lease terms to the Group and comparable prices offered to independent consumers by other electricity suppliers with a discount at the range of 15% to 10%. The government prescribed price on the supply of electricity is determined by the price bureau of the relevant provincial governments, which is subject to adjustment from time to time.

CMLH is a subsidiary of CMG, and a fellow subsidiary of CMNEG, which is (together with its parties acting in concert) a substantial shareholder of the Company. Therefore, CMLH and its subsidiaries are associates of CMNEG, hence, connected persons of the Company. Accordingly, the above transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

B. Leasing of Office Premises

On 8 November 2017, Shanxi Aite Technology Wind Power Limited*（山西艾特科創風電有限責任公司）, United Photovoltaics (Shenzhen) Limited and Zhongli Talesun Gonghe New Energy Limited*（中利騰暉共和新能源有限公司）, all being subsidiaries of the Company, entered into three lease agreements ("the Lease Agreements") with China Merchants Landmark (Shenzhen) Co., Ltd.*（深圳市招商創業有限公司）("CMCY"), a company established under the laws of the PRC with limited liability and a subsidiary of China Merchants respectively for the lease of certain office premises in Shekou, Shenzhen, the PRC, for a period of three years from 1 November 2017 to 31 October 2020 (the "Leases").

Term – 3 years.

Pricing – Having negotiated on an arm's length basis according to the principles of fairness and reasonableness, the rental and other terms of each of the Leases were determined with reference to the prevailing market rental of similar premises in the proximity, the terms on which other premises in the same building were leased by CMCY to its independent third parties, and the historical rental prices under the lease agreements entered into by subsidiaries of the Company and CMCY in 2014 (which had constituted fully exempt continuing connected transactions of the Company).

CMCY is a subsidiary of China Merchants, and a fellow subsidiary of CMNEG, which is (together with its parties acting in concert) a substantial shareholder of the Company. Therefore, CMCY is an associate of CMNEG, hence, a connected person of the Company. Accordingly, the above transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The following table sets out the actual transaction amount for the year ended 31 December 2019, the proposed annual caps for the year ended 31 December 2019 and the year ending 31 December 2020 in respect of the above continuing connected transactions:

Continuing Connected Transactions	Major type of products/services	Transaction amount for the year ended 31 December 2019	Annual cap for the year ended 31 December 2019	Annual cap for the year ending 31 December 2020
A Sale of electricity by the Group to the designated subsidiaries of CMLH under the Power Purchase Agreements	Solar electricity	RMB0.45 million	HK$9 million	HK$9 million
B Leasing of office premises from CMCY under the Lease Agreements	Office leasing	RMB2.56 million	RMB3.45 million	RMB3 million

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions and confirmed that the connected transactions and continuing connected transactions for the year ended 31 December 2019 were entered into: (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (iii) in accordance with the pricing policy of the Group; and (iv) in accordance with the relevant written agreements governing them on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2019 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

The Company's auditor has issued the unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this report in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company's auditor has confirmed to the Board that:

(a) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

Save for the transactions disclosed above, all applicable percentage ratios of the annual caps of the other continuing connected transactions which took place during the year ended 31 December 2019 are lower than 5% and the annual caps are all less than HK$3 million, and are therefore fully exempted from independent shareholders' approval, annual review and all disclosure requirements.

Details of the significant related party transactions of the Group are set out in Note 37 to the financial statements. Save as disclosed in the sections head "Connected Transactions" and "Continuing Connected Transactions" of this report, those significant related party transactions of the Group constituted continuing connected transactions but were exempted from the reporting, announcement, annual review and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION UNDER RULE 13.18 OF THE LISTING RULES

Facility Agreements and Letters of Guarantee Dated 9 April 2020

On 9 April 2020, the Company as borrower entered into a facility letter with China Construction Bank (Asia) Corporation Limited ("CCB") as lender in relation to two loan facilities for the purpose of financing the Group's general corporate funding requirements and refinancing the debts of the Group (the "Facility Agreements"). Pursuant to and subject to the satisfaction of the conditions precedent and conditions subsequent set out in the Facility Agreements, CCB agreed to make available to the Company, two separate committed term loan facilities of up to US$125 million and US$25 million (equivalent to approximately HK$971.16 million and HK$194.23 million, respectively) (the "Loan Facilities"), respectively. The final repayment date of the Loan Facilities of US$125 million and US$25 million will be the date falling on 36 months and 12 months after the first utilisation of the respective facility, and utilisation is the date on which the relevant loan is to be drawn.

On the same date, BEH entered into two letters of guarantee (the "Letters of Guarantee") as guarantor pursuant to which BEH provided a corporate guarantee in favour of CCB as a security for the Loan Facilities.

The Facility Agreements and the Letters of Guarantee provide that if at any time: (i) BEH ceases to be, directly or indirectly, the single largest shareholder of the Company; (ii) the State-owned Assets Supervision and Administration Commission of People's Government of the Beijing Municipality*（北京市人民政府國有資產監督管理委員會）or any other agencies designated by the State Council of the People's Republic of China*（中華人民共和國國務院）(the "Commission") ceases to be, directly or indirectly, the single largest shareholder of BEH; or (iii) the Commission ceases to be able to direct the affairs of BEH and/or to control the composition of the board of directors or equivalent body of BEH, then the Loan Facilities may, upon notification by CCB, be cancelled and all outstanding amounts will become immediately due and payable.

The Facility Agreements and the Letters of Guarantee also provide that an event of default will occur if, amongst others, (a) the consolidated tangible net worth of BEH together with its subsidiaries (collectively "Beijing Energy Group") is less than RMB80,000 million at any time; and (b) the consolidated total debts of the Beijing Energy Group is more than 70% of the consolidated total tangible assets of Beijing Energy Group, whereupon the Loan Facilities will, with notice from CCB, be immediately cancelled and all outstanding amounts will become immediately due and payable.

For details, please refer to the announcement of the Company dated 9 April 2020.

As at the date of this report, the above specific performance obligation imposed on BEH and the Commission under the aforesaid agreements continued to exist.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no Director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those business of which the Directors were appointed as Directors to represent the interest of the Company and/or the Group.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2019, the Company has applied the principles and complied with all the CG Code as set out in Appendix 14 to the Listing Rules.

Additional information on the Company's corporate governance practice is set out in the "Report of the Corporate Governance" accompanying this report.

EMOLUMENT POLICY

The Group remunerates its employees, including the Directors, based on their performance, experience, qualifications, competence and prevailing market comparables. Remuneration packages generally comprises salary, incentive scheme, contribution to pension schemes and bonuses relating to the individual's performance and his/her contribution to the Group's business. The remuneration policy of the Directors is reviewed by the Company's Remuneration Committee.

The Company has adopted the Share Option Scheme as an incentive to directors, consultants and eligible employees. CSPG, a wholly-owned subsidiary of the Company, has the EIS in place to reward the directors, employees and consultants of CSPG and its subsidiaries with shares of the Company. Details of the Share Option Scheme and EIS are set out under the section headed "Share Option Scheme" and "Equity Incentive Scheme" in this report.

The remuneration policy of the Directors is reviewed by the Remuneration Committee. The determination of emolument of the Directors had taken into consideration their expertise, job specifications and prevailing market comparables.

DIRECTORS' REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The senior management's total remuneration paid/payable for the year ended 31 December 2019 (including all executive Directors) by band is as follows:

Band	Number of senior management For the year ended 31 December 2019
Nil to HK$1,000,000	7
HK$1,000,001—HK$1,500,001	2
HK$1,500,001—HK$2,000,000	2
HK$2,000,001—HK$2,500,000	1
HK$2,500,001—HK$3,000,000	0
Over HK$3,000,001	1

PUBLIC FLOAT

Reference is made to the announcement of the Company dated 12 May 2020 (the "Public Float Announcement"). As disclosed in the Public Float Announcement, the Company noted Snow Hill increased its shareholding in the Company by 268,420,000 shares, representing approximately 1.2% of the total issued share capital of the Company. As Snow Hill is a holding company of CMNEG, accordingly the number of shares held by it shall not be counted into the public float of the Company.

The public float of the Company was approximately 24.15%, which has fallen below 25% of the total issued share capital of the Company held by the public as prescribed by Rule 8.08(1)(a) of the Listing Rules on the Stock Exchange as at the date of this report.

The management of the Company is still in the process of working out with relevant parties to identify feasible measures for the restoration of the public float to an acceptable and compliant level. The Company will make further announcement(s) relating to the restoration of public float as and when appropriate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year under review.

FUNDRAISING ACTIVITIES THROUGH ISSUE OF EQUITY/CONVERTIBLE SECURITIES

The Company did not conduct any fundraising activities through issue of convertible securities during the year ended 31 December 2019.

On 21 March 2019, the Company issued 3,048,750,000 ordinary shares to Huaqing Solar Power Limited ("Huaqing"), 1,351,992,566 ordinary shares to the parties of CMNEG, 938,054,087 ordinary shares to China Huarong Overseas Investment Holdings Co., Limited and 382,396,814 ordinary shares to Asia Pacific Energy and Infrastructure Investment Group Limited ("Asia Pacific"), in an aggregate of 5,721,193,467 ordinary shares at HK$0.3 for each ordinary share through placement. The net price and the issue price per share were both HK$0.30. The market price of the company's ordinary shares listed on the Stock Exchange on 18 January 2019, being the last trading day before the date on which the terms of the subscriptions were fixed, was HK$0.39. The net proceeds from the share subscription amounted to approximately HK$798 million (equivalent to approximately RMB660 million), after setting-off against a loan of approximately HK$915 million (equivalent to approximately RMB784 million) from Huaqing.

The Directors considered that it was in the interest of the Company and its shareholders as a whole to strengthen the financial position of the Company by entering into the subscriptions, which would enable the Company to expand its capital base and finance clean energy projects in the PRC. The Directors were of the view that a new equity financing was an imminent priority of the Company and the subscriptions were the most viable option for the Company. The subscriptions provided a good opportunity for the Company to raise equity funding to repay its outstanding liabilities, improved its financial position and mobilised further resources to develop the Group in the renewable energy industry of the PRC by, where appropriate, seeking suitable investment opportunities.

All the net proceeds from the share subscription have been fully utilised according to the intentions previously disclosed by the Company in the announcements dated 20 January 2019 and 21 February 2019 and the circular dated 1 March 2019 as follows:

(1) approximately HK$782 million (representing approximately 98% of the net proceeds) for the repayment of indebtedness; and

(2) approximately HK$16 million (representing approximately 2% of the net proceeds) for general working capital of the Group.

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed in this report, no change in information of Directors of the Company pursuant to Rule 13.51B(1) of the Listing Rules, subsequent to the date of the interim report of the Company for the six months ended 30 June 2019.

AUDIT COMMITTEE

The Board has established its Audit Committee since 14 March 2000. Currently it consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Sui Xiaofeng. The Audit Committee is chaired by Mr. Kwan Kai Cheong who is an independent non-executive Director having the relevant professional qualification and expertise in financial reporting matters.

The consolidated financial statements for the year ended 31 December 2019 have been reviewed by the Company's Audit Committee.

EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Details of the events of the Group occurring after the date of statement of financial position are set out in the Note 38 to the consolidated financial statements.

The directors' report was approved by the Board on 24 August 2020 and signed by the chairman of the same board meeting.

On behalf of the Board

/Signature/
Zhang Ping
Chairman of the Board

Hong Kong, 24 August 2020

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of Panda Green Energy Group Limited
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Panda Green Energy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 84 to 190, which comprise:

(1) the consolidated statement of financial position as at 31 December 2019;

(2) the consolidated statement of profit or loss for the year then ended;

(3) the consolidated statement of comprehensive income for the year then ended;

(4) the consolidated statement of changes in equity for the year then ended;

(5) the consolidated statement of cash flows for the year then ended; and

(6) the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

As disclosed in Note 2.1(a) to the Company's consolidated financial statements, the Board of Directors of the Company established an independent investigation committee which had engaged an independent external professional advisor to conduct an independent investigation (the "Investigation") on certain matters brought to the attention of the Board of Directors. The Board of Directors, based on the findings of the Investigation, had identified certain matters relating to

(a) certain deposits made to New Energy Exchange Limited ("NEX", which owned less than 5% of the Company's shares as at 31 December 2019) and its related entities ("NEX Group") of HK$598 million ("Deposits to NEX"), together with certain other payments to NEX Group of HK$88 million;

(b) certain deposits made to Shenzhen Zhiyuan Renewable Energy Company Limited ("SZZY") of RMB500 million ("Deposits to SZZY"); and (c) certain payments of RMB303.7 million made to one of the limited partners of Changzhou Haozhen Venture Investment Center Limited Partnership ("Haozhen Limited Partnership"), a then joint venture of the Group. Based on the findings of the Investigation, the Board of Directors, based on the best available information, considered it is appropriate to make certain adjustments to the Company's consolidated financial statements as at and for the year ended 31 December 2019 in respect of these matters.

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

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

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

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

(b) Deposits made to SZZY of RMB500 million

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Chung Kit Yi, Kitty.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
CONTINUING OPERATIONS			
Sales of electricity		629	599
Tariff adjustment		1,539	1,424
Revenue	5	2,168	2,023
Other income	8	50	14
Employee benefits expenses (excluding share-based payment expenses)	9(a)	(115)	(106)
Land use tax		(8)	(6)
Legal and professional fees		(19)	(35)
Maintenance costs		(47)	(71)
Other expenses	10	(109)	(119)
EBITDA#		1,920	1,700
Acquisition costs arising from business combinations		–	(2)
Depreciation for property, plant and equipment	17	(581)	(553)
Depreciation for right-of-use assets	18	(26)	–
Bargain purchase arising from business combinations	35	–	26
Loss on debt extinguished by issuing equity instruments	27(b)	(32)	–
Fair value losses on financial assets at fair value through profit or loss	6	(168)	(114)
Fair value gain/(loss) on financial liabilities at fair value through profit or loss	7	13	(7)
Finance income	11	77	84
Finance costs	12	(1,239)	(1,319)
Impairment charge on concession rights	19(a)	(531)	(279)
Impairment charge on development rights	19(b)	(831)	–
Impairment charge on property, plant and equipment	17	(958)	–
Impairment charge on right-of-use assets	18	(18)	–
Write-off on other receivables		(39)	(13)
Impairment loss of financial assets	3.1(b), 24	(1,094)	–
Share-based payment expenses	9(a)	(6)	(42)
Share of profits of investments accounted for using equity method	21	36	37
Loss on disposal of subsidiaries	20(c)	(302)	–
Loss before income tax		(3,779)	(482)
Income tax credit	13	280	13
Loss for the year from continuing operations		(3,499)	(469)
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	16(a)	4	15
LOSS FOR THE YEAR		(3,495)	(454)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
(LOSS)/PROFIT ATTRIBUTABLE TO			
Equity holders of the Company			
Continuing operations		(3,279)	(466)
Discontinued operation		4	15
		(3,275)	(451)
Non-controlling interests			
Continuing operations		(220)	(3)
Discontinued operation		–	–
		(220)	(3)
		(3,495)	(454)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cents)	15		
Continuing operations		(23.40)	(4.89)
Discontinued operation		0.03	0.16
		(23.37)	(4.73)

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

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
LOSS FOR THE YEAR		(3,495)	(454)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Cash flow hedge, net of tax		–	(1)
Release of other reserve in relation to discontinued operation	20(c)	11	–
Currencies translation differences		(14)	(171)
Release of currencies translation differences in relation to discontinued operation	20(c)	(1)	–
Item that will not be reclassified to profit or loss			
Fair value changes of financial assets at fair value through other comprehensive income	23	(231)	–
Other comprehensive loss for the year, net of tax		(235)	(172)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,730)	(626)
Total comprehensive loss for the year attributable to			
Equity holders of the Company		(3,452)	(623)
Non-controlling interests		(278)	(3)
		(3,730)	(626)
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO			
Equity holders of the Company			
Continuing operations		(3,466)	(639)
Discontinued operation		14	16
		(3,452)	(623)
Non-controlling interests			
Continuing operations		(278)	(3)
Discontinued operation		–	–
		(278)	(3)
		(3,730)	(626)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'million	2018 RMB'million
ASSETS			
Non-current assets			
Property, plant and equipment	17	14,246	17,115
Right-of-use assets	18	307	–
Intangible assets	19	869	2,245
Investments accounted for using equity method	21	297	888
Financial assets at fair value through profit or loss	22	–	60
Other receivables, deposits and prepayments	24	540	1,983
Pledged deposits	25	1,265	1,838
Deferred tax assets	30	27	28
Total non-current assets		17,551	24,157
Current assets			
Financial assets at fair value through profit or loss	22	42	189
Trade, bills and tariff adjustment receivables	26	3,808	4,093
Other receivables, contract assets, deposits and prepayments	24	2,356	954
Pledged deposits	25	1,440	967
Restricted cash	25	20	8
Cash and cash equivalents	25	239	407
Total current assets		7,905	6,618
Total assets		25,456	30,775
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	27	1,285	803
Reserves		2,039	4,492
		3,324	5,295
Non-controlling interests		317	575
Total equity		3,641	5,870

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'million	2018 RMB'million
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	28	10,677	16,649
Lease liabilities	18	107	–
Contingent consideration payables	29	–	10
Deferred government grant		5	8
Deferred tax liabilities	30	256	684
Other payables	31	8	–
Other derivative financial instruments	32	–	8
Total non-current liabilities		11,053	17,359
Current liabilities			
Other payables and accruals	31	3,124	2,095
Lease liabilities	18	14	–
Bank and other borrowings	28	7,624	5,423
Contingent consideration payables	29	–	26
Other derivative financial instruments	32	–	2
Total current liabilities		10,762	7,546
Total liabilities		21,815	24,905
Total equity and liabilities		25,456	30,775

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

These consolidated financial statements on pages 84 to 190 have been approved for issue by the Board of Directors on 24 August 2020 and were signed on its behalf.

Mr. Zhang Ping
Chairman

Mr. Lu Zhenwei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to the equity holders of the Company												
	Share capital RMB'million	Share premium RMB'million	Shares-based payment reserve RMB'million	Share held under equity incentive scheme ("EIS") RMB'million	Convertible bonds equity reserve RMB'million	Warrant reserve RMB'million	Translation reserve RMB'million	Other reserve RMB'million	Statutory reserve RMB'million	Accumulated losses RMB'million	Total RMB'million	Non- controlling interests RMB'million	Total equity RMB'million
At 1 January 2018	803	7,201	220	(73)	123	53	(122)	–	132	(2,461)	5,876	552	6,428
Comprehensive loss													
Loss for the year	–	–	–	–	–	–	–	–	–	(451)	(451)	(3)	(454)
Other comprehensive loss	–	–	–	–	–	–	(171)	(1)	–	–	(172)	–	(172)
Total comprehensive loss	–	–	–	–	–	–	(171)	(1)	–	(451)	(623)	(3)	(626)
Transactions with equity holders													
Non-controlling interests arising from business combination (Note 35)	–	–	–	–	–	–	–	–	–	–	–	24	24
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	2	2
Redemption of convertible bonds	–	–	–	–	(123)	–	–	–	–	123	–	–	–
Lapse of share options	–	–	(5)	–	–	–	–	–	–	5	–	–	–
Share-based payment (Note 9)	–	–	42	–	–	–	–	–	–	–	42	–	42
Transfer to statutory reserves	–	–	–	–	–	–	–	–	44	(44)	–	–	–
	–	–	37	–	(123)	–	–	–	44	84	42	26	68
At 31 December 2018	803	7,201	257	(73)	–	53	(293)	(1)	176	(2,828)	5,295	575	5,870
At 1 January 2019	**803**	**7,201**	**257**	**(73)**	**–**	**53**	**(293)**	**(1)**	**176**	**(2,828)**	**5,295**	**575**	**5,870**
Comprehensive loss													
Loss for the year	–	–	–	–	–	–	–	–	–	(3,275)	(3,275)	(220)	(3,495)
Other comprehensive loss	–	–	–	–	–	–	(15)	(162)	–	–	(177)	(58)	(235)
Total comprehensive loss	–	–	–	–	–	–	(15)	(162)	–	(3,275)	(3,452)	(278)	(3,730)
Transactions with equity holders													
Issue of shares through placements (Note 27)	482	993	–	–	–	–	–	–	–	–	1,475	–	1,475
Non-controlling interest arising from business combination (Note 35)	–	–	–	–	–	–	–	–	–	–	–	20	20
Transfer of fair value loss on equity investments at fair value through other comprehensive income to accumulated losses upon disposal	–	–	–	–	–	–	–	173	–	(173)	–	–	–
Lapse of share options	–	–	(37)	–	–	–	–	–	–	37	–	–	–
Share-based payment (Note 9)	–	–	6	–	–	–	–	–	–	–	6	–	6
Transfer to statutory reserves	–	–	–	–	–	–	–	–	104	(104)	–	–	–
	482	993	(31)	–	–	–	–	173	104	(240)	1,481	20	1,501
At 31 December 2019	**1,285**	**8,194**	**226**	**(73)**	**–**	**53**	**(308)**	**10**	**280**	**(6,343)**	**3,324**	**317**	**3,641**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
Cash flows from operating activities			
Cash generated from operations from continuing operations	34(a)	1,734	347
Income tax paid		(53)	(32)
Net cash inflow from operating activities from continuing operations		1,681	315
Net cash inflow from operating activities from discontinued operation	16(b)	–	39
Net cash inflow from operating activities		1,681	354
Cash flows from investing activities			
Proceeds from/(payment for) acquisition of subsidiaries, net of cash acquired	35	5	(81)
Proceeds from disposal of subsidiaries	20(c)	363	–
Transaction cost for disposal of subsidiaries	20(c)	(17)	–
Capital contribution to investments accounted for using equity method	21(a)	–	(50)
Deposits paid for investments		–	(235)
Repayments from amount due from associates		27	395
Advances to associates		(37)	–
Interests received		38	72
Proceeds from disposal of property, plant and equipment		25	3
Proceeds from government grant		8	3
Settlement of contingent consideration payables		(10)	(3)
Settlement of consideration for acquisition of subsidiaries		(10)	(129)
Capital expenditures on property, plant and equipment		(512)	(2,232)
Net cash outflow from investing activities from continuing operations		(120)	(2,257)
Net cash inflow from investing activities from discontinued operation	16(b)	–	–
Net cash outflow from investing activities		(120)	(2,257)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
Cash flows from financing activities			
Principal elements of lease payments	18	(16)	–
Interest paid on lease liabilities	18	(5)	–
Capital contribution by non-controlling interests		–	2
Interests paid on bank and other borrowings		(1,033)	(992)
Interests paid on convertible bonds		–	(25)
Decrease/(increase) in pledged deposits		124	(700)
(Increase)/decrease in restricted cash		(12)	2
Redemption of convertible bonds		–	(306)
Proceeds from bank borrowings		2,419	5,735
Repayment of bank borrowings		(3,199)	(5,884)
Proceeds from loans from leasing companies		631	1,980
Repayment of loans from leasing companies		(596)	(325)
Proceeds from medium-term notes		–	297
Repayment of medium-term notes		(103)	(130)
Proceeds from corporate bonds		–	(6)
Repayment of corporate bonds		(270)	–
Proceeds from other loans		381	781
Repayment of other loans		(233)	(4)
Proceeds from loan from an associate		109	287
Repayment of loan from an associate		(295)	–
Proceeds from issuance of new shares	27	507	–
Transaction cost for issuance of new shares		(2)	–
Net cash (outflow)/inflow from financing activities from continuing operations		(1,593)	712
Net cash outflow from financing activities from discontinued operation	16(b)	–	(40)
Net cash (outflow)/inflow from financing activities		(1,593)	672
Net decrease in cash and cash equivalents		(32)	(1,231)
Cash and cash equivalents at beginning of year		407	1,593
Effect of foreign exchange rate changes		(136)	45
Cash and cash equivalents at end of year	25	239	407

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

On 19 March 2019, the Group entered into a sales and purchase agreement with an independent third party and completed a disposal of its UK operation, which holds solar power plants with an aggregated installed capacity of 82.4MW, for a cash consideration of approximately GBP34 million (equivalent to approximately RMB298 million). The disposal of UK operation was reported as discontinued operation in the accompanying consolidated statement of profit or loss and the comparative figures for the year ended 31 December 2018 has been restated accordingly.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Investigation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Investigation (Continued)

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Investigation (Continued)

(2) Deposits made to SZZY of RMB500 million

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Investigation (Continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Going concern

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Going concern (Continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Going concern (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Going concern (Continued)

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) Changes in accounting policy and disclosures

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

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

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

Save as disclosed in Note 2.1(d), the adoption of other new and amended standards, improvements and interpretation did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Effective for accounting periods beginning on or after 1 January 2020

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

Effective for accounting periods beginning on or after 1 January 2021

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

Effective for accounting periods beginning on or after 1 January 2022

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

Effective for accounting periods beginning on or after 1 January 2023

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) Changes in accounting policy and disclosures (Continued)

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

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

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

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

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

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

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

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

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

Practical expedients applied

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Practical expedients applied (Continued)

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

Measurement of lease liabilities

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

Measurement of right-of-use assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

- Property, plant and equipment – decrease by RMB180 million
- Other receivables, deposits and prepayments – decrease by RMB29 million
- Right-of-use assets – increase by RMB352 million
- Lease liabilities – increase by RMB143 million
- There was no impact on retained earnings as at 1 January 2019

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated statement of financial position.

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of profit or loss, and the Group's share of movements in other comprehensive income of the investee in consolidated statement of other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity–accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in the consolidated statement of other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss or transferred to another category of the consolidated statement of changes in equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss.

2.4 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the assets or disposal group constituting the discontinued operation.

2.5 Separate financial statements

Investments in subsidiaries and associates are accounted for at cost less impairment. Cost includes direct attributable costs of investment. Cost also includes capital contribution relating to Equity Incentive Scheme for investments in subsidiaries. The results of subsidiaries and associates are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is Hong Kong dollar (HK$) and the consolidated financial statements are presented in RMB which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in the consolidated statement of profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss.

Foreign exchange differences on non-monetary assets, such as equities classified as fair value through other comprehensive income, are presented in consolidated statement of other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to consolidated statement of profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Land use rights – accounting policies applied until 31 December 2018

Land use rights are located in the PRC and they are classified as operating leases. All land use rights are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is provided to write off cost of land use rights on a straight-line basis over the respective lease period.

2.9 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Over the unexpired periods of the leases or their expected useful lives of 3 years, whichever is shorter
Power generating modules and equipment	25 – 30 years
Plant and machinery	5 years
Furniture, fixtures and office equipment	3 – 5 years
Motor vehicles	5 years

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Intangible assets

Intangible assets comprise (i) concession rights which represent rights to develop, acquire and operate certain solar power plants; and (ii) development rights which represent the rights to develop certain solar power and hydropower plants. Concession rights and development rights acquired in a business combination are initially recognised at fair value. The concession rights and development rights will be redesignated to property, plant and equipment when the relevant power plants are developed, acquired or operated by the Group. Concession rights and development rights are subsequently carried at cost less accumulated impairment losses, if any.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events on changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

2.12 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

(ii) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of profit or loss or consolidated statement of comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss and presented in other expenses together with foreign exchange differences. Loss allowances are presented as separate line item in the consolidated statement of profit or loss.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from consolidated statement of changes in equity to consolidated statement of profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in the consolidated statement of profit or loss.

(iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated statement of profit or loss in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statement of profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Investments and other financial assets (Continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade, bills and tariff adjustment receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 26 for further details.

Loss allowance on financial assets other than trade, bills and tariff adjustment, receivables and contract assets are measured as either 12-months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses.

2.13 Financial liabilities

(a) Recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss and amortised cost. Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost, using effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.16 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Derivatives and hedging activities (Continued)

(i) Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to the consolidated statement of profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of profit or loss within finance costs.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss was reported in equity is immediately reclassified to the consolidated statement of profit or loss.

2.17 Trade, bills and tariff adjustment receivables

Trade, bills and tariff adjustment receivables are amounts due from customers for electricity sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and tariff adjustment receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade, bills and tariff adjustment receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.18 Contract assets

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis set out in Note 2.12.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in the statement of changes in equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the consolidated statement of profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time (generally over 6 months for renewable power projects) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in convertible bonds equity reserves. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method.

The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Compound financial instruments issued by the Group also comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued may vary.

The liability component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of all derivatives. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. Derivatives are carried at fair value subsequently, with changes in fair value presented to the consolidated statement of profit or loss in the period in which they arise.

Liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

When the Group extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued.

Once the allocation of the consideration is made, any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows:

- The amount of gain or loss relating to the liability component is recognised in profit or loss; and
- The amount of consideration relating to the equity component is recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(b) Post-employment obligations

Employees of the Group in Hong Kong are required to participate in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. Under the MPF Scheme, each of the company (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Employees of the Group in the PRC are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in the PRC contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an employee share option plan. The fair value of options granted under the employee share option plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

After vesting date, when the share options are forfeited prior to the expiry date, the amount previously recognised in the "Share-based payment reserve" will be transferred to the "Accumulated losses" within the consolidated statement of changes in equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to the Company's equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.28 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligations in the contract;

(v) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group considers all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Revenue recognition (Continued)

The Group recognises revenue when the specific criteria have been met for each of the Group's activities, as described below:

(a) Sales of electricity and tariff adjustment

Revenue arising from the sale of electricity and tariff adjustment is recognised at a point in time when electricity is generated, transmitted and delivered to the offtakers. Revenue from these sales is recognised based on the price specified in the power purchase agreements. The electricity generation will be confirmed with the offtakers regularly, therefore, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Revenue from sales of electricity is based on the respective on-grid electricity rates. Tariff adjustment represents subsidy received and receivable pursuant to prevailing government policy in respect of the Group's renewable energy projects. Tariff adjustment is recognised at a point in time at fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

Revenue from tariff adjustment is based on the difference between the feed-in-tariff regime implemented by the PRC government for the provision of subsidy to the solar and wind power plant operators in the PRC and the revenue from sales of electricity.

(b) Interest income

Interest income is recognised over time using the effective interest method.

(c) Dividend income

Dividends are received from financial assets measured at FVPL. Dividends are recognised as other income in the consolidated statement of profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

(d) Operation and maintenance service income

Income arising from operation and maintenance service is recognised in the accounting period in which the service is rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Leases

As explained Note 2.1(d), the Group has changed its accounting policy for leases where the Group is the leasee. The new policy is described below and the impact of the change in Note 2.1(d) until 31 December 2018.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 36). Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

2.31 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) a person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the Group or is a member of the key management personnel of the Group (or of a parent of the Group).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Company under policies approved by the Board of Directors of the Company.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong.

The functional currency of the Hong Kong reporting entities is HK$ and the transactions are mostly denominated in HK$ and United States dollar ("US$"). For transactions or balances denominated in US$ which are reasonably stable with the Hong Kong dollars under the Linked Exchange Rate System, the directors are of the opinion that the Company does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. Accordingly, no sensitivity analysis is performed.

The functional currency of the PRC reporting entities is RMB and the transactions are mostly denominated in RMB, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The Group is exposed to foreign exchange risk primarily through financing, capital expenditure and expenses transactions that are denominated in a currency other than RMB, which is the functional currency of the major subsidiaries of the Group. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contract to hedge against foreign exchange risk as management considers its exposure is not significant.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which mainly bear floating interest rates.

The Group monitors closely its interest rate exposure by maintaining an appropriate mix of fixed and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

During the year ended 31 December 2018, a subsidiary in the UK had a floating-for-fixed interest rate swap arrangement in respect of a syndicated loan denominated in GBP with a notional principal amount of approximately GBP66 million as at 31 December 2018. During the year ended 31 December 2019, the Group disposed of the UK operation and derecognised the interest rate swap accordingly. Other than that, the Group did not have any financial instruments for hedging purposes.

At 31 December 2019, if interest rates on bank and other borrowings had been 50 basis points (2018: 50 basis points) higher/lower with all other variables held constant, loss for the year would have been approximately RMB61 million (2018: RMB64 million) higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from trade, bills and tariff adjustment receivables and contract assets, other receivables and deposits; and deposits with banks and financial institutions.

As at 31 December 2019, the Group has concentration of credit risk as 58% (2018: 61%) of its trade and tariff adjustment receivables and contract assets were due from four largest customers (2018: four), which were mainly state-owned enterprises. To measure the expected credit losses, trade and tariff adjustment receivables and contract assets have been grouped based on shared credit risk characteristics and days past due. Considering the track record of regular settlement of trade receivables and based on the Group's experience with respect to the collection of trade and tariff adjustment receivables and contract assets, which are well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant.

The Group has policies that limit the amount of credit exposure to any financial institutions. Substantially all the deposits in banks are held in reputable financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality and management does not expect any losses arising from non-performance by these counterparties.

Impairment of Financial Assets

The Group has three types of assets that are subject to the expected credit loss model:

- Trade and tariff adjustment receivables and contract assets
- Other receivables and deposits
- Bills receivables, cash at banks, restricted cash and pledged deposits

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of Financial Assets (Continued)

(i) Trade and tariff adjustment receivables and contract assets (Continued)

The trade and tariff adjustment receivables and contract assets of the Group were arising from sales of electricity and were all due from state-owned enterprises. For tariff adjustment receivables and contract assets, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. As at 31 December 2019, except for 24 solar power plants with aggregate capacities of 787.7MW (2018: 24 solar power plants with aggregate capacities of 777.7MW), all of the Group's solar power plants that are entitled to tariff adjustment receivables were successfully enlisted on the fifth, sixth and seventh batches of the Catalogue. According to Caijian [2020] No.5 Notice on the Measures for Administration of Funds for Tariff Premium of Renewable Energy（可再生能源電價附加補助資金管理辦法）jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in January 2020, Caijian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy（可再生能源電價附加補助資金管理暫行辦法）was replaced such that the Central Government will no longer approve and publish Renewable Energy Tariff Subsidy Catalogue. On the other hand, the procedures for settlement of tariff adjustment is intended to be further simplified whereby it is indicated in Caibanjian [2020] No.6 Office of Ministry of Finance's Procedures in relation to Commencement of Approval Procedures of Renewable Energy Tariff Subsidy Project List (財政部辦公廳關於開展可再生能源發電補貼項目清單審核有關工作）that all qualified renewable energy power plants（存量項目）("qualified power plants") which fulfil certain requirements are eligible to be enlisted to the Tariff Subsidy Project List (補貼項目清單). Qualified power plants include all 1st to 7th batch Catalogue power plants, which will be automatically enlisted in the Tariff Subsidy Project List. The Group has submitted applications before 30 April 2020 in accordance with the new government policies launched during 2020 for all the enlisted 1st to 7th batch Catalogue solar power plants and the 23 qualified solar power plants with aggregate capacities of 767.7 MW that are yet to be enlisted in the 1st to 7th batch Catalogue. Management are of the opinion that all of the Group's solar power plants that are entitled to tariff adjustment receivables shall be enlisted in the Tariff Subsidy Project List. Given the track record of regular settlement of receivables from sales of electricity and the collection of tariff adjustment receivables and contract assets are well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant and does not expect any losses from non-performance by the customers. Therefore, expected credit loss rate of trade and tariff adjustment receivables and contract assets are assessed to be close to zero and no provision was made as at 31 December 2019 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of Financial Assets (Continued)

(ii) Other receivables and deposits

Impairment loss of other receivables from and deposits for investments are measured as either 12-months expected credit losses or lifetime expected credit losses on individual basis, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment loss is measured as lifetime expected credit losses. Certain long-aged deposits for investments and other receivables with an aggregated gross carrying amount of approximately RMB1,094 million as at 31 December 2019 are assessed individually; and the Group has recognised an impairment loss of approximately RMB1,094 million (2018: Nil) in the consolidated statement of profit or loss for the year ended 31 December 2019 for these deposits for investments and other receivables (see Note 2.1(a) and Note 24(a)). Management considered there is a significant increase in credit risk on these balances.

The impairment loss for deposits for investments and other receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019	2018
	RMB'million	RMB'million
As at 1 January	**–**	–
Increase in impairment loss recognised on deposits for investments and other receivables	**1,094**	–
As at 31 December	**1,094**	–

As detailed in Note 2.1(a), the Board of Directors of the Company has engaged external lawyers to send legal letters to SZZY and a subsidiary of NEX to demand repayment of the Deposits to SZZY and the Deposits to NEX in March 2020. The Group was informed that SZZY has been required to honour the guarantee obligation under the Guarantee Arrangement as Sunshine has defaulted the repayment upon the maturity of the Sunshine Borrowing, but neither SZZY nor Jiaxing have the ability to repay or honour its guarantee obligation. Management have also attempted to contact certain of the relevant parties involved in the First and Second Purported Share Purchases in order to recover the funds allegedly to have been used in the First and Second Purported Share Purchases, but have not been able to obtain any response from them. In this regard, the management considered that there is significant increase in credit risk since initial recognition of Deposits to NEX, Deposits to SZZY and the amounts due from NEX Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of Financial Assets (Continued)

(ii) Other receivables and deposits (Continued)

On 24 August 2020, the Group entered into a settlement agreement ("Settlement Agreement"), pursuant to which that, excluding the Other Payments to NEX of approximately RMB72 million as described in Note 2.1(a), all the relevant NEX Group companies that have amounts due from or due to the Group and the relevant group companies of the NEX Group have agreed to assign their respective rights to receive or obligations to repay between the relevant companies of the Group and NEX Group companies to United Photovoltaics (Changzhou) Investment Group Co., Ltd. ("UP Changzhou"), a wholly-owned subsidiary of the Company and a NEX Group's PRC subsidiary, respectively. The net balance due from NEX Group would become RMB356 million after such assignment of rights. As at 31 December 2019, NEX also held medium-term note and corporate bond issued by the Group with principal amounts of RMB120 million and RMB150 million, respectively, totalling RMB270 million. Pursuant to the Settlement Agreement, NEX and the Company agreed to offset the above borrowing amounts of RMB270 million due by the Group to NEX with the outstanding amounts due from NEX Group. In addition, NEX has 44.36% equity interests in a Group's PRC subsidiary which holds solar power plants with capacity of 19.8MW with a net book value of approximately RMB29.3 million (the "Offsetting Assets"). Pursuant to the Settlement Agreement, NEX agreed to transfer the Offsetting Assets to UP Changzhou to offset the outstanding net amounts due from NEX Group (collectively referred to as "Settlement Arrangements").

Management considered there is significant increase in credit risk in these counterparties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, loss allowance of RMB1,094 million, representing the Deposits to NEX of RMB522 million, Deposits to SZZY of RMB500 million and Other Payments to NEX of RMB72 million, were recognised during the year ended 31 December 2019.

For the remaining other receivables and deposits, amount due from associates, it is assessed individually. Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate, adjusted by current and forward looking information. The impairment provision is determined based on the 12-month expected credit losses which is dose to zero.

(iii) Bills receivables, cash at banks, restricted cash and pledged deposits

As at 31 December 2019 and 2018, most of the bank deposits are deposited with reputable banks in the PRC and Hong Kong. Most of the bills receivables are issued from state-owned banks in the PRC. The credit quality of bills receivable, cash at banks, restricted cash and pledged deposits has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of bills receivable, cash at banks, restricted cash and pledged deposits is assessed to be close to zero and no provision was made as at 31 December 2019 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on the Group's liquidity requirements to ensure the Group maintains sufficient liquidity reserve to support sustainability and growth of the Group's business. Currently, the Group finances its working capital requirements through funds generated from operations, issue of new shares, senior notes, medium term notes, corporate bonds, factoring of bills receivable and obtaining bank and other borrowings.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'million	Between 1 year to 2 years RMB'million	Between 2 to 5 years RMB'million	Over 5 years RMB'million	Total RMB'million
At 31 December 2019					
Other payables	**2,295**	**–**	**–**	**–**	**2,295**
Bank and other borrowings and corresponding interests	**8,459**	**3,303**	**5,077**	**4,489**	**21,328**
Lease liabilities	**14**	**6**	**22**	**178**	**220**
	10,768	**3,309**	**5,099**	**4,667**	**23,843**
At 31 December 2018					
Other payables	1,748	–	–	–	1,748
Bank and other borrowings and corresponding interests	6,760	6,888	6,713	6,150	26,511
Other derivative financial instruments	5	4	12	1	22
Contingent consideration payables	26	5	6	–	37
	8,539	6,897	6,731	6,151	28,318

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may obtain bank and other borrowings, issue of senior notes, medium-term notes and corporate bonds or placing of new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts is calculated as total borrowings (including current and non-current bank and other borrowings and construction costs payable as shown in the consolidated statement of financial position) less cash deposits (including cash and cash equivalents, pledged deposits and restricted cash as shown in the consolidated statement of financial position). Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus net debts.

The gearing ratios at 31 December 2019 and 2018 were as follows:

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

3.3 Fair value estimation

The table below analyses financial instruments carried at fair values, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following tables present the fair value hierarchy of the Group's financial assets and liabilities that were measured at fair value at 31 December 2019 and 2018.

	Level 1 RMB'million	Level 2 RMB'million	Level 3 RMB'million	Total RMB'million
At 31 December 2019				
Assets				
Financial assets at fair value through profit or loss (Note 22)				
– Guaranteed electricity output	–	–	4	4
– Unlisted investments	–	–	38	38
At 31 December 2018				
Assets				
Financial assets at fair value through profit or loss (Note 22)				
– Call options in relation to the acquisition of investments accounted for using equity method	–	–	60	60
– Guaranteed electricity output	–	–	15	15
– Unlisted investment	–	–	174	174
Liabilities				
Hedging instruments				
– Interest rate swap (Note 32)	–	(10)	–	(10)
Financial liabilities at fair value through profit or loss				
– Contingent consideration payables (Note 29)	–	–	(36)	(36)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Guaranteed electricity output was estimated based on the shortfall of electricity pursuant to sale and purchase agreements mutually agreed between the relevant parties.

- Unlisted investments were determined mainly based on the asset-based approach (2018: discounted cash flow model). The change of valuation method from discounted cash flow model to asset based approach is mainly due to the investee company's decision to cease to engage in new EPC projects as it is considered to be not financially viable (See Note 22(c)). The Group has engaged an independent external valuer to assess the fair value of unlisted investment. The significant unobservable inputs include the fair value of the assets and liabilities of the investee company.

- Contingent consideration payables for acquisitions measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgement on time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the then prevailing incremental cost of borrowings of the Group at time of acquisitions.

- The fair value of interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves.

- Call options were determined based on binomial model. The key significant unobservable inputs include volatility and dividend payout.

There were no significant transfers of financial assets or liabilities between level 1, level 2 and level 3 fair value hierarchy classifications during the years ended 31 December 2018 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2019.

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Hedging instruments
	Call options RMB'million	Guaranteed electricity output RMB'million	Unlisted investments RMB'million	Unlisted investment RMB'million	Contingent consideration payables RMB'million	Interest rate swaps RMB'million
At 1 January	60	15	174	–	(36)	(10)
Addition	–	–	14	234	–	–
Fair value (losses)/gains recognised in the consolidated statement of profit or loss	(7)	(11)	(150)	–	13	–
Fair value loss recognised in the consolidated statement of comprehensive income	–	–	–	(231)	–	–
Disposal	–	–	–	(3)	–	10
Disposal of subsidiaries	(53)	–	–	–	13	–
Settlement	–	–	–	–	10	–
At 31 December	–	4	38	–	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Hedging instruments
	Call options RMB'million	Guaranteed electricity output RMB'million	Unlisted investments RMB'million	Unlisted investment RMB'million	Contingent consideration payables RMB'million	Interest rate swaps RMB'million
Total (losses)/gain for the year included in the consolidated statement of profit or loss for assets and liabilities held at the end of the year	(7)	(11)	(150)	–	13	–
Total losses for the year included in the consolidated statement of comprehensive income for assets held at the end of the year	–	–	–	(231)	–	–
Change in unrealised losses for the year included in the consolidated statement of profit or loss for assets and liabilities held at the end of the year	–	(11)	(150)	–	–	–
Change in unrealised loss for the year included in the consolidated statement of comprehensive income for assets held at the end of the year	–	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2018.

	Financial assets at fair value through profit or loss			Financial liabilities at fair value through profit or loss		Hedging instruments
	Call options RMB'million	Guaranteed electricity output RMB'million	Unlisted investments RMB'million	Derivative portion of convertible bonds RMB'million	Contingent consideration payables RMB'million	Interest rate swap RMB'million
At 1 January	132	15	216	(7)	(32)	(13)
Fair value (losses)/gains recognised in the consolidated statement of profit or loss	(72)	–	(42)	7	(7)	–
Fair value gain recognised in the consolidated statement of comprehensive income	–	–	–	–	–	1
Settlement	–	–	–	–	3	2
At 31 December	60	15	174	–	(36)	(10)
Total (losses)/gains for the year included in the consolidated statement of profit or loss for assets and liabilities held at the end of the year	(72)	–	(42)	7	(7)	–
Total gain for the year included in the consolidated statement of comprehensive income for liabilities held at the end of the year	–	–	–	–	–	1
Change in unrealised (losses)/gains for the year included in the consolidated statement of profit or loss for assets and liabilities held at the end of the year	(3)	–	(42)	7	(7)	–
Change in unrealised gains for the year included in the consolidated statement of comprehensive income for liabilities held at the end of the year	–	–	–	–	–	1

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Sensitivity analysis of observable and unobservable inputs

As described, the fair values of financial assets and liabilities that are classified in level 3 of the fair value hierarchy are determined using valuation techniques that make use of significant inputs that are not based on observable market data. These fair values could be sensitive to changes in the assumptions used to derive the inputs. The table below illustrates the sensitivity of the significant inputs when they are changed to reasonably possible alternative inputs:

Description	Fair value at 31 December		Valuation techniques		Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss	
	2019	2018					2019	2018
	RMB'million	RMB'million	2019	2018			RMB'million	RMB'million
Financial assets at fair value through profit or loss								
Unlisted investments	38	174	Asset-based approach	Discount cash flow method	Discount rate	+0.5%	–	(4)
						–0.5%	–	4
					Revenue	+5%	–	7
						–5%	–	(7)

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Business combinations

Accounting for acquisitions require the Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group has undertaken processes to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill, bargain purchase and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement.

Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated statement of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(b) Impairment of property, plant and equipment, right-of-use assets, intangible assets and investments accounted for using equity method

Assets that have an indefinite useful life are tested annually for impairment; or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

(c) Impairment of trade, bills and tariff adjustment receivables, contract assets, other receivables and deposits

The Group makes provision for impairment of trade, bills and tariff adjustment receivables, contract assets, other receivables and deposits based on assumptions about risk of default and expected credit loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Note 3.1(b) provides the basis of the calculation of the loss allowance.

(d) Fair value of other financial instruments

The fair values of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and hedging instruments were determined by using various valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions, including the discount rates, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumptions used could materially affect the fair value of these balances and as a result affect the Group's financial condition and results of operation.

(e) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(f) Classification of investments

As at 31 December 2019, the Group has significant amounts of investments that involved particular terms and arrangements, and in different forms of financial instruments. Judgement is required in determining the appropriate classification for these investments including assessing the relevant activities of the investee companies, its decisions making process on those activities that involving the Group, if any and its other investors, the rights and power of the Group and other investors on the investee companies, any other arrangements or transactions among the Group, its other investors and/or the investee companies, and the Group's returns from the investments.

Different conclusions around these judgements may materially impact how the investments presented and measured in the consolidated statement of financial position of the Group.

5 SEGMENT INFORMATION

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

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

For the year ended 31 December 2019, the major operating entities of the Group are domiciled in the PRC and accordingly, all of the Group's revenue was derived in the PRC (2018: revenue was derived in the PRC and the UK). During the year ended 31 December 2019, the Group completed the disposal of its business in the UK (the "Disposed Business"). Accordingly, the financial results of the Disposed Business are presented in the consolidated statement of profit or loss as discontinued operation (Note 16).

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

	2019 RMB'million	2018 RMB'million
Call options in relation to acquisition of investments accounted for using equity method (Note 22)	(7)	(72)
Guaranteed electricity output (Note 22)	(11)	–
Unlisted investments (Note 22)	(150)	(42)
	(168)	(114)

7 FAIR VALUE GAIN/(LOSS) ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'million	2018 RMB'million
Contingent consideration payables (Note 29)	13	(7)

8 OTHER INCOME

	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
Government grant	11	2
Operation and maintenance service income	14	7
Compensation income from vendors	17	–
Others	8	5
	50	14

9 EMPLOYEE BENEFITS EXPENSES

(a) Employee benefits expenses (including directors' emoluments)

	2019 RMB'million	2018 RMB'million
Salaries, wages and bonuses	**103**	95
Contributions to retirement contribution plan	**12**	11
	115	106
Share-based payment expenses	**6**	42
	121	148

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, three (2018: four) were directors of the Company, whose emoluments are included in the disclosure set out in Note 9(c) below. The emoluments of the remaining two (2018: one) highest paid individuals except directors are as follows:

	2019 RMB'million	2018 RMB'million
Salaries and bonuses	**4.68**	0.99
Retirement benefit scheme contributions	**0.02**	0.02
Share-based payment expenses	**0.27**	0.64
	4.97	1.65

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument band:		
HK$1,500,001 — HK$2,000,000	**–**	1
HK$2,000,001 — HK$2,500,000	**1**	–
HK$2,500,001 — HK$3,000,000	**–**	–
HK$3,000,001 — HK$3,500,000	**1**	–

During the year ended 31 December 2019, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments

The emoluments paid or payable to each director were as follows:

For the year ended 31 December 2019

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or the subsidiary undertaking					Emoluments paid for receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	
	Fees RMB'million	Salaries RMB'million	Discretionary bonuses RMB'million	Retirement benefit scheme contributions RMB'million	Share-based payment expenses RMB'million	RMB'million	Total RMB'million
Executive directors:							
Mr. Lu Zhenwei	–	–	–	–	0.32	–	0.32
Ms. Zhong Hui (Note (i))	0.09	1.34	–	0.01	–	–	1.44
Mr. Chen Qinglong (Note (ii) and (xii))	0.09	0.58	0.29	0.01	–	–	0.97
Mr. Xu Jianjun (Note (ii))	–	–	–	–	–	–	–
Mr. Li, Alan (Note (iii))	0.09	1.29	–	0.01	–	–	1.39
Mr. Li Hong (Note (iv))	0.09	0.81	–	0.01	–	–	0.91
Mr. Li Guangqiang (Note (xiii))	0.09	0.35	–	–	0.11	–	0.55
Non-executive directors:							
Mr. Yu Qiuming (Note (v))	0.17	0.97	0.70	–	5.47	–	7.31
Mr. Li Hao	0.17	–	–	–	–	–	0.17
Ms. Xie Yi (Note (vi))	0.16	–	–	–	–	–	0.16
Mr. Wang Heng (Note (ii))	–	–	–	–	–	–	–
Mr. Tang Wenyong (Notes (x) and (xiii))	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. Kwan Kai Cheong	0.17	–	–	–	0.19	–	0.36
Mr. Yen Yuen Ho, Tony	0.17	–	–	–	0.19	–	0.36
Mr. Shi Dinghuan	0.17	–	–	–	0.19	–	0.36
Mr. Chen Hongsheng (Note (vii))	0.16	–	–	–	–	–	0.16
Total	1.62	5.34	0.99	0.04	6.47	–	14.46

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' emoluments (Continued)

For the year ended 31 December 2018

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or the subsidiary undertaking					Emoluments paid for receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	
	Fees RMB'million	Salaries RMB'million	Discretionary bonuses RMB'million	Retirement benefit scheme contributions RMB'million	Share-based payment expenses RMB'million	RMB'million	Total RMB'million
Executive directors:							
Mr. Li, Alan (Note (iii))	0.17	2.51	–	0.01	11.91	–	14.60
Mr. Lu Zhenwei	–	–	–	–	0.84	–	0.84
Mr. Yu Qiuming (Note (v))	0.17	1.15	–	–	11.90	–	13.22
Mr. Li Hong (Note (iv))	0.17	1.50	0.17	0.02	11.91	–	13.77
Mr. Li Guangqiang (Note (xiii))	0.04	0.15	0.13	–	0.64	–	0.96
Ms. Qiu Ping, Maggie (Note (viii))	0.07	1.27	0.14	0.01	–	–	1.49
Mr. Jiang Wei (Note (ix))	0.13	0.63	0.10	0.01	–	–	0.87
Non-executive directors:							
Mr. Tang Wenyong (Note (xiii))	–	–	–	–	0.48	–	0.48
Mr. Li Hao	0.13	–	–	–	–	–	0.13
Independent non-executive directors:							
Mr. Kwan Kai Cheong	0.17	–	–	–	0.48	–	0.65
Mr. Yen Yuen Ho, Tony	0.17	–	–	–	0.48	–	0.65
Mr. Shi Dinghuan	0.17	–	–	–	0.48	–	0.65
Mr. Ma Kwong Wing (Note (xi))	0.16	–	–	–	–	–	0.16
Total	1.55	7.21	0.54	0.05	39.12	–	48.47

Notes:

(i) Appointed as Co-Chief Executive Officer on 14 May 2019, appointed as executive director, re-designated from Co-Chief Executive Officer as Chief Executive Officer on 27 June 2019 and resigned on 21 February 2020

(ii) Appointed on 27 June 2019

(iii) Resigned as chairman of the Board, an executive director and Chief Executive Officer on 27 June 2019

(iv) Resigned as an executive director and Chief Financial Officer on 27 June 2019

(v) Resigned as Co-Chief Executive Director on 14 May 2019, re-designated from executive director as non-executive director on 27 June 2019

(vi) Appointed on 22 January 2019

(vii) Appointed on 21 January 2019

(viii) Retired on 1 June 2018

(ix) Resigned on 11 October 2018

(x) Agreed to waive his entitlement to director's fee for the year ended 31 December 2018 and for the period ended 27 June 2019

(xi) Resigned on 13 December 2018

(xii) Resigned on 21 February 2020

(xiii) Resigned on 27 June 2019

NOTES TO THE FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(d) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2018: Nil).

(e) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year (2018: Nil).

(f) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2018: Nil).

(g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2018: Nil).

(h) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company or an entity connected to a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

10 OTHER EXPENSES

	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
Auditor's remuneration – audit services	7	6
Compensation loss on construction contract (Note 31(d))	17	–
Foreign exchange difference	15	27
Expense related to short-term leases	2	–
Operating lease rental	–	20
Business hospitality	9	13
Water and electricity	12	11
Insurance	5	5
Stamp duties	2	2
Others	40	35
	109	119

11 FINANCE INCOME

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

Note:

During the year ended 31 December 2018, the Group has loans to an associate and certain third parties, of principal amount of approximately RMB604 million with the average interest rate per annum of 4.88%. The loans were matured on 31 December 2018.

12 FINANCE COSTS

	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
In relation to bank and other borrowings		
Interest expenses	1,121	1,011
Loan facilities fees	113	172
	1,234	1,183
In relation to lease liabilities		
Interest expenses	5	–
In relation to convertible bonds:		
Interest accretion	–	143
Subsequent re-measurement gains on derivative portion	–	(7)
	–	136
Total finance costs	1,239	1,319

NOTES TO THE FINANCIAL STATEMENTS

13 INCOME TAX CREDIT

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

The income tax credited to the consolidated statement of profit or loss represented:

	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
Current income tax		
– current year	(61)	(33)
– under-provision in prior years	(3)	–
Deferred income tax (Note 30)	344	46
	280	13

The tax on the Group's loss before income tax from continuing operations differs from the theoretical amount that would arise using the PRC corporate income tax rate as follows:

	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
Loss before income tax	(3,779)	(482)
Less: Share of profits of investments accounted for using equity method	(36)	(37)
	(3,815)	(519)
Tax credit calculated at a tax rate of 25% (2018: 25%)	954	130
Effect of different tax rates of subsidiaries operating in other jurisdictions	(188)	(85)
PRC tax concession	145	133
Expenses not deductible for tax purposes	(310)	(122)
Income not subject to tax	2	14
Temporary difference not recognised	(255)	–
Tax loss for which no deferred income tax amount was recognised	(68)	(63)
Utilisation of previously unrecognised tax losses	–	6
Income tax credit	280	13

14 DIVIDEND

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

15 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2019	2018 (Restated) (Note 2.1)
(Loss)/profit (RMB'million)		
(Loss)/profit attributable to the equity holders of the Company		
Continuing operations	**(3,279)**	(466)
Discontinued operation	**4**	15
	(3,275)	(451)
Weighted average number of ordinary shares in issue (million shares)	**14,013**	9,530
Basic and diluted (loss)/earnings per share (RMB cents)		
Continuing operations	**(23.40)**	(4.89)
Discontinued operation	**0.03**	0.16
	(23.37)	(4.73)

(b) Diluted

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

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

NOTES TO THE FINANCIAL STATEMENTS

16 DISCONTINUED OPERATION

On 19 March 2019, the Group entered into a sale and purchase agreement with an independent third party and completed the disposal of its UK operation, which holds solar power plants with an aggregated installed capacity of 82.4MW, for a cash consideration of approximately GPB34 million (equivalent to approximately RMB298 million). The disposal of UK operation was reported as discontinued operation. Financial information relating to the discontinued operation for the year to the date of disposal is set out below.

(a) Financial Performance

	2019 RMB'million	2018 RMB'million
Sales of electricity	–	31
Tariff adjustment	–	54
Revenue	–	85
Other income	–	5
Legal and professional fees	–	(3)
Land use tax	–	(7)
Maintenance costs	–	(6)
Other expenses	–	(2)
EBITDA	–	72
Depreciation for property, plant and equipment	–	(42)
Finance costs	–	(18)
Profit before income tax	–	12
Income tax credit	–	3
Profit for the year from discontinued operation	4	15
Profit for the year from discontinued operation attributable to equity holders of the Company	4	15

(b) Cash Flow Information

	2019 RMB'million	2018 RMB'million
Net cash generated from operating activities	–	39
Net cash generated from investing activities	–	–
Net cash used in financing activities	–	(40)
	–	(1)

NOTES TO THE FINANCIAL STATEMENTS

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'million	Leasehold improvements RMB'million	Power generating modules and equipment RMB'million	Plant and machinery RMB'million	Furniture, fixtures and office equipment RMB'million	Motor vehicles RMB'million	Construction in-progress RMB'million	Total RMB'million
At 1 January 2018								
Cost	121	10	15,926	10	37	16	627	16,747
Accumulated depreciation	(13)	(2)	(1,135)	(4)	(20)	(6)	–	(1,180)
Net book amount	108	8	14,791	6	17	10	627	15,567
Year ended 31 December 2018								
Opening net book amount	108	8	14,791	6	17	10	627	15,567
Acquisition of subsidiaries (Note 35)	–	–	445	66	–	–	–	511
Additions	–	–	9	1	4	–	1,626	1,640
Disposals	–	–	(3)	–	–	–	–	(3)
Depreciation charge	(6)	(4)	(568)	(6)	(8)	(3)	–	(595)
Transfer	–	–	1,155	–	–	–	(1,155)	–
Exchange difference	–	–	(5)	–	–	–	–	(5)
Closing net book amount	102	4	15,824	67	13	7	1,098	17,115
At 31 December 2018								
Cost	121	10	17,526	77	41	16	1,098	18,889
Accumulated depreciation	(19)	(6)	(1,702)	(10)	(28)	(9)	–	(1,774)
Net book amount	102	4	15,824	67	13	7	1,098	17,115
Year ended 31 December 2019								
Opening net book amount	**102**	**4**	**15,824**	**67**	**13**	**7**	**1,098**	**17,115**
Adoption of HKFRS 16 (Note 2.1(d))	**–**	**–**	**(180)**	**–**	**–**	**–**	**–**	**(180)**
Opening net book amount	**102**	**4**	**15,644**	**67**	**13**	**7**	**1,098**	**16,935**
Acquisition of subsidiaries (Note 35)	**–**	**–**	**326**	**–**	**–**	**–**	**2**	**328**
Disposal of subsidiaries (Note 20(c))	**(66)**	**–**	**(1,708)**	**–**	**–**	**–**	**(65)**	**(1,839)**
Additions	**–**	**3**	**2**	**1**	**3**	**–**	**377**	**386**
Disposals	**–**	**–**	**(24)**	**–**	**–**	**(1)**	**–**	**(25)**
Depreciation charge	**(5)**	**(2)**	**(554)**	**(10)**	**(7)**	**(3)**	**–**	**(581)**
Impairment charge	**–**	**–**	**(797)**	**–**	**–**	**–**	**(161)**	**(958)**
Transfer	**–**	**–**	**368**	**–**	**–**	**–**	**(368)**	**–**
Closing net book amount	**31**	**5**	**13,257**	**58**	**9**	**3**	**883**	**14,246**
At 31 December 2019								
Cost	**47**	**13**	**16,165**	**78**	**43**	**13**	**1,044**	**17,403**
Accumulated depreciation	**(16)**	**(8)**	**(2,111)**	**(20)**	**(34)**	**(10)**	**–**	**(2,199)**
Accumulated impairment	**–**	**–**	**(797)**	**–**	**–**	**–**	**(161)**	**(958)**
Net book amount	**31**	**5**	**13,257**	**58**	**9**	**3**	**883**	**14,246**

Note:

As at 31 December 2019, power generating modules and equipment with carrying values of approximately RMB7,453 million (2018: RMB7,578 million) were pledged as security for the Group's bank borrowings of approximately RMB3,895 million (2018: RMB5,867 million) and RMB5,562 million (2018: RMB6,477 million) were pledged as security for the Group's loans from leasing companies of approximately RMB4,012 million (2018: RMB5,096 million) (Note 28(a)).

NOTES TO THE FINANCIAL STATEMENTS

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

The key assumptions used for the cash flow projections as at 31 December 2019 are as follows:

Capacity (subject to impairment)	832MW
Insolation hours (Note)	844 to 1,697 MWh/MWp
Degradation factor	0.5% per annum
Feed-in tariff (Note)	RMB0.9 to RMB1.15/kWh
Discount rate	8%
Operating expenses per watt (Note)	RMB0.06 to RMB0.24

Note: The above insolation hours and operating expenses are specific to each individual power plant depending on its geographical location. The feed-in-tariff of each power plant is based on respective actual unit tariff and the approved government subsidy per kWh.

As a result of the impairment test, the Group has recognised an impairment charge on property, plant and equipment and right-of-use assets of approximately RMB797 million and RMB18 million, respectively, during the year ended 31 December 2019. Included in property, plant and equipment is construction in progress of RMB161 million in respect of hydropower construction in Tibet. The construction in progress of RMB161 million has been fully impaired based on the impairment assessment on Development Rights mentioned in Note 19(b).

The table below illustrates the sensitivity of significant inputs to the cash flow projections above when they are changed to reasonable possible alternate inputs:

	Range of inputs	Unfavourable change to the profit or loss RMB'million
Insolation hours	–5%	(322)
Feed-in-tariff	–5%	(322)
Discount rate	+0.5%	(201)

18 LEASES

This note provides information for leases where the Group is a lessee.

The Group's right-of-use assets and lease liabilities mainly arise from lease of various land use rights for solar power plant projects, office premises and staff quarters with typically lease terms of 6 to 29 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2019 RMB'million	1 January 2019 RMB'million (Note (2.1(d))
Right-of-use assets		
Land use rights	295	326
Buildings	12	26
	307	352
Lease liabilities		
Non-current	107	125
Current	14	18
	121	143

NOTES TO THE FINANCIAL STATEMENTS

18 LEASES (Continued)

The movements of right-of-use assets and lease liabilities are analysed as follows:

	RMB'million
Right-of-use assets	
As at 1 January 2019 under HKFRS 16 (Note 2.1(d))	352
Additions	22
Depreciation charge	(26)
Acquisition of subsidiaries (Note 35)	17
Disposal of subsidiaries (Note 20(c))	(31)
Termination of leases	(9)
Impairment charge (Note 17)	(18)
As at 31 December 2019	307
As at 31 December 2019	
Cost	351
Accumulated depreciation	(26)
Accumulated impairment	(18)
Net book amount	307
Lease liabilities	
As at 1 January 2019 under HKFRS 16 (Note 2.1(d))	143
Additions	22
Interest expenses	5
Acquisition of subsidiaries (Note 35)	12
Disposal of subsidiaries (Note 20(c))	(31)
Termination of lease	(9)
Lease payments	(21)
As at 31 December 2019	121

The total cash outflow for leases, including the payments made in relation to lease liabilities of RMB23 million, which included expenses relating to short-term lease payments in 2019 of RMB21 million and RMB2 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS

19 INTANGIBLE ASSETS

	Concession rights RMB'million	Development rights RMB'million	Total RMB'million
At 1 January 2018			
Cost	1,509	1,700	3,209
Accumulated impairment	(685)	–	(685)
Net book amount	824	1,700	2,524
Year ended 31 December 2018			
Opening net book amount	824	1,700	2,524
Impairment charge	(279)	–	(279)
Closing net book amount	545	1,700	2,245
At 31 December 2018			
Cost	1,509	1,700	3,209
Accumulated impairment	(964)	–	(964)
Net book amount	545	1,700	2,245
Year ended 31 December 2019			
Opening net book amount	**545**	**1,700**	**2,245**
Redesignation in relation to acquisition of subsidiaries (Note 35)	**(14)**	**–**	**(14)**
Impairment charge	**(531)**	**(831)**	**(1,362)**
Closing net book amount	**–**	**869**	**869**
At 31 December 2019			
Cost	**1,495**	**1,700**	**3,195**
Accumulated impairment	**(1,495)**	**(831)**	**(2,326)**
Net book amount	**–**	**869**	**869**

NOTES TO THE FINANCIAL STATEMENTS

19 INTANGIBLE ASSETS (Continued)

(a) Concession Rights

In June 2013, the Group acquired concession rights from various vendors to develop and operate various solar power plant projects. The Group has been in discussion with respective vendors and intends to exercise these concession rights and will acquire solar power plants before their expiry.

On 31 May 2018, the National Development and Reform Commission ("NDRC"), the Ministry of Finance of the PRC and the National Energy Administration jointly published "the Notice on PV Power Generation in 2018" (《2018年光伏發電有關事項的通知》, "the Notice") with an aim to lowering solar feed-in-tariffs ("FIT"). According to the Notice, (i) for roof-top projects, only those roof-top projects on-grid on or before 31 May 2018 are eligible to national tariff adjustment; (ii) for ground projects, the benchmark on-grid price will be reduced by RMB0.05/kWh to RMB0.5/kWh, RMB0.6/kWh and RMB0.7/kWh for the projects zone I, II and III, respectively. In April 2019, the NDRC further published "the Notice on improving the grid-connected electricity price mechanism for PV power generation" (《國家發展改革委關于完善光伏發電上網電價機制有關問題的通知》) to further reduce the benchmark on-grid price to RMB0.4/kWh, RMB0.45/kWh and RMB0.55/kWh for the projects in zone 1, 2 and 3, respectively.

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

The key assumptions used for the cash flow projections, which are based on past experience of the Group and external sources of market information, are as follows:

	2019	2018
Capacity (Note)	**0.3GW**	0.6GW
Insolation hours	**825 to 1,611MWh/MWp**	1,130 to 1,611MWh/MWp
Degradation factor	**0.5% per annum**	0.5% per annum
Electricity tariff		
– on-grid projects	**RMB0.75 to RMB0.97/kWh**	RMB0.7 to RMB0.98/kWh
– projects yet to on-grid	**RMB0.45/kWh**	RMB0.58 to RMB0.6/kWh
Discount rate	**10%**	8.5% to 9%
Construction costs per watt		
– Rooftop projects	**–**	RMB7
– Ground projects	**RMB6**	RMB6 to RMB6.6
Operating expenses per watt	**RMB0.14 with annual growth rate of 2%**	RMB0.13 with annual growth rate of 2%

Note: Drop in capacity was mainly due to (i) the acquisition of certain solar power plants during the year in relation to concession rights previously held by the Group (Note 35); (ii) certain fully impaired concession rights on developing solar power plants during the year as a result of the delay of acquisition plan after the launch of the 531 Notice and the Notice in May 2018 and April 2019, respectively; and (iii) the fully impaired concession rights as a result of the phasing out of FIT.

19 INTANGIBLE ASSETS (Continued)

(a) Concession Rights (Continued)

The table below illustrates the sensitivity of the significant inputs when they are changed to reasonable possible alternative inputs:

	Range of inputs	Unfavourable change in profit or loss 2019 RMB'million	2018 RMB'million
Insolation hours	–5%	–	(132)
Discount rate	+0.5%	–	(81)
Construction costs per watt	+5%	–	(78)

(b) Development Rights

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

In June 2019, the People's Government of Tibet Autonomous Region further published the "Notice on reducing residential electricity consumption and industrial and commercial electricity prices"(《西藏自治區人民政府關於降低居民生用電和工商業用電價格的通知》, "Tibet Notice 2"), the FIT of the Group's hydropower projects will further reduce from RMB0.35/kWh to RMB0.341/kWh. According to the Tibet Notice 2, such policy was on temporary trial from 1 July 2019 to 31 December 2020 and will be revisited upon 31 December 2020. The Group is optimistic that the probability that the FIT will be resumed to RMB0.44/kWh after the expiry of Tibet Notice 2.

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

NOTES TO THE FINANCIAL STATEMENTS

19 INTANGIBLE ASSETS (Continued)

(b) Development Rights (Continued)

The key assumptions used for the cash flow projections as at 31 December 2019 are as follows:

	Hydropower	Solar power
Capacity	5,230.1MW	70MW*
Utilisation hours/insolation hours	4,300 to 4,700MWh/MWp	1,310MWh/MWp
Degradation factor	0% per annum	0.5% per annum
Feed-in-tariff		
– Sichuan	RMB0.30 to RMB0.31/kWh	N/A
– Tibet	RMB0.34/kWh in 2020; RMB0.35 to RMB0.57/kWh in 2021 to 2036 with growth rate of 1% per year thereafter till the end of the useful life (Note)	RMB1.05/kWh
Discount rate	10.5% to 11.5%	10%
Construction costs per watt	RMB11.0 to RMB13.5	RMB12
Operating expenses per watt	RMB0.19 with annual growth rate of 2%	RMB0.14 with annual growth rate of 2%

The key assumptions used for the cash flow projections as at 31 December 2018 are as follows:

	Hydropower	Solar power
Capacity	5,230.1MW	70MW*
Utilisation hours/insolation hours	4,300 to 4,700MWh/MWp	1,900MWh/MWp
Degradation factor	0% per annum	0.5% per annum
Feed-in-tariff		RMB1.05/kWh
– Sichuan	RMB0.30 to RMB0.31/kWh	N/A
– Tibet	RMB0.35/kWh in 2019 and 2020; RMB0.41 to RMB0.6/kWh in 2021 to 2035 with growth rate of 1% per year thereafter till the end of the useful life (Note)	RMB1.05/kWh
Discount rate	10.5% to 11.5%	9.5%
Construction costs per watt	RMB11 to RMB13	RMB12
Operating expenses per watt	RMB0.18 with annual growth rate of 2%	RMB0.13 with annual growth rate of 2%

19 INTANGIBLE ASSETS (Continued)

(b) Development Rights (Continued)

Note:

On 22 May 2018, the People's Government of Tibet Autonomous Region ("Tibet Government") published the Tibet Notice 1 with an aim to adjust the electricity price of hydropower plants in Tibet in which FIT of the Group's hydropower projects will reduce from RMB0.44/kWh to RMB0.35/kWh. According to the Tibet Notice 1, such policy is on temporary trial from 1 May 2018 to 31 December 2020 and will be revisited upon 31 December 2020.

On 30 June 2019, Tibet Government published the Tibet Notice 2 to further reduce the electricity price of the FIT of hydropower in Tibet of the Group from RMB0.35/kWh to RMB0.341/kWh. According to the Tibet Notice 2, such policy is also on temporary trial from 1 July 2019 to 31 December 2020 and will be revisited upon 31 December 2020.

* 30MW are beyond the scope and not considered by the valuer in the valuation in both 2019 and 2018.

The table below illustrates the sensitivity of the significant inputs when they are changed to reasonable possible alternative inputs:

	Range of inputs	Unfavourable change in profit or loss	
		2019	2018
		RMB'million	RMB'million
Utilisation/insolation hours	–5%	**(896)**	(814)
Feed-in-tariff	–5%	**(896)**	(814)
Discount rate	+0.5%	**(852)**	(823)
Construction costs per watt	+5%	**(788)**	(605)

NOTES TO THE FINANCIAL STATEMENTS

20 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

(a) Particulars of the principal subsidiaries

Name of entity	Place of incorporation/ establishment	Particular issued share capital/ registered capital	Ownership interest held by the Group 2019	2018	Principal activities
Anhui Zhaolian Clean Energy Co. Ltd.	The PRC	Registered and paid up RMB200,000,000	100%	100%	Operation and management of a solar power plant
China Solar Power Group Limited ("CSPG")	British Virgin Islands ("BVI")	Issued and fully paid US$5,750,000	100%	100%	Investment holding
China Technology New Energy Limited	BVI	Issued and fully paid US$1	100%	100%	Possession of exclusive rights in developing roof-top solar power plants
Datong United Photovoltaics New Energy Co., Ltd.	The PRC	Registered and paid up RMB200,000,000	100%	100%	Operation and management of a solar power plant
Guigangshi Green Ark New Energy Co., Ltd.	The PRC	Registered and paid up RMB10,000,000	100%	100%	Operation and management of a solar power plant
Guodian Chahaeryouyiqianqi Solar Power Co., Ltd.	The PRC	Registered and paid up RMB133,000,000	90.07%	90.07%	Operation and management of a solar power plant
Guodian Kezuozhongqi Photovoltaics Co., Ltd.	The PRC	Registered and paid up RMB169,700,000	99.40%	99.40%	Operation and management of a solar power plant
Guodian Shangdu County Second Photovoltaics Co., Ltd.	The PRC	Registered and paid up RMB147,170,000	99.31%	99.31%	Operation and management of a solar power plant
Hainanzhou Yahui New Energy Co., Ltd.	The PRC	Registered and paid up RMB351,000,000	100%	100%	Operation and management of a solar power plant
Hanshou Zhonghui Solar Energy Co., Ltd.	The PRC	Registered and paid up RMB130,000,000	100%	100%	Operation and management of solar power plants
Hubei Jingtai Photovoltaics Power Co., Ltd.	The PRC	Registered and paid up RMB250,000,000	100%	100%	Operation and management of a solar power plant
Inner Mongolia Xingbang United Photovoltaics New Energy Co., Ltd.	The PRC	Registered and paid up RMB1,000,000,000	100%	100%	Investment holding

20 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Name of entity	Place of incorporation/ establishment	Particular issued share capital/ registered capital	Ownership interest held by the Group 2019	2018	Principal activities
Nanjing Silk Road New Energy Co., Ltd.	The PRC	Registered RMB659,610,000 Paid up RMB514,037,600	100%	100%	Investment holding
New Light Technology Limited	Hong Kong	Issued and fully paid HK$10,000	100%	100%	Investment holding
Ningxia Zhongzi Photovoltaics Co., Ltd.	The PRC	Registered and paid up RMB340,000,000	100%	100%	Operation and management of a solar power plant
Tibet Zangneng Corporation	The PRC	Registered and paid up RMB400,000,000	75%	75%	Possession of development rights for hydropower and solar power projects
Tibet Zhongzi New Energy Technology Co., Ltd.	The PRC	Registered and paid up RMB340,000,000	100%	100%	Investment holding
United Photovoltaics (Changzhou) Investment Group Co., Ltd.	The PRC	Registered HK$7,000,000,000 Paid up HK$5,658,645,668	100%	100%	Investment holding
United Photovoltaics (Shenzhen) Limited	The PRC	Registered HK$1,000,000,000 Paid up HK$499,988,588	100%	100%	Design and installation of solar power systems, research and development of solar power products and solar technology
Zhongli (Jiayuguan) Photovoltaics Power Co., Ltd.	The PRC	Registered and paid up RMB500,000,000	100%	100%	Operation and management of a solar power plant
Zhongli Talesun Gonghe New Energy Limited	The PRC	Registered and paid up RMB342,000,000	100%	100%	Operation and management of solar power plants
Zhongli Talesun Gonghe Photovoltaic Power Co., Ltd.	The PRC	Registered and paid up RMB200,000,000	100%	100%	Operation and management of a solar power plant

NOTES TO THE FINANCIAL STATEMENTS

20 SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries (Continued)

Notes:

(i) Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation/establishment.

(ii) The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names, as these subsidiaries do not have official English names.

(iii) The cash at bank and other financial institutions of approximately RMB2,961 million (2018: RMB3,163 million) held by the PRC subsidiaries were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

(iv) All the above PRC-incorporated subsidiaries are limited liability companies.

(b) Material non-wholly owned subsidiaries

As at 31 December 2019, the total non-controlling interest was approximately RMB317 million (2018: RMB575 million). As at 31 December 2019, the Group re-assessed those subsidiaries that have non-controlling interests that are considered material to the Group based on their relative size in terms of installed capacities, total assets, revenue and EBITDA.

Set out below are the summarised financial information for Tibet Zangneng which has material non-controlling interests.

	2019 RMB'million	2018 RMB'million
Assets and liabilities as at 31 December		
Current assets	**177**	142
Non-current assets	**1,530**	2,618
Current liabilities	**(399)**	(544)
Non-current liabilities	**(492)**	(469)
Profit or loss for the year ended 31 December		
Revenue	**42**	23
Loss and total comprehensive loss for the year	**(931)**	(25)
Loss allocated to non-controlling interests	**(233)**	–
Dividend paid to non-controlling interests	**–**	–
Cash flows for the year ended 31 December		
Net cash outflow from operating activities	**(65)**	(26)
Net cash outflow from investing activities	**(1)**	(161)
Net cash inflow from financing activities	**58**	191
	(8)	4

The information above was the amount before inter-company eliminations.

Note: During the year ended 31 December 2019, Tibet Zangneng has impairment charges on development rights of RMB831 million (2018: Nil) and property, plant and equipment of RMB161 million (2018: Nil). Details of the impairment charges are set out in Notes 19 and 17 respectively.

20 SUBSIDIARIES (Continued)

(c) Disposal of Subsidiaries

During the year, the Group disposed of certain of its subsidiaries (including discontinued operation as disclosed in Note 16), the effect on the financial position, the total consideration received and loss on such disposals:

	Continuing operations RMB'million	Discontinued operation RMB'million	Total RMB'million
Net consideration			
Cash	487	298	785
Less: Direct expenses—Legal and professional fees	–	(17)	(17)
Retained interest			
Financial assets at fair value through profit or loss (Note 22)	14	–	14
	501	281	782
Net assets disposed of			
Property, plant and equipment (Note 17)	(962)	(877)	(1,839)
Right-of-use assets (Note 18)	–	(31)	(31)
Investments accounted for using equity method (Note 21(a) and (b))	(626)	–	(626)
Financial assets at fair value through profit or loss (Note 22)	(53)	–	(53)
Deferred tax assets (Note 30(a))	(2)	(2)	(4)
Trade and tariff adjustment receivables	(102)	(15)	(117)
Other receivables, deposits and prepayments	(99)	(4)	(103)
Pledged deposits	(18)	(4)	(22)
Cash and cash equivalents	(16)	(47)	(63)
Contingent consideration payable	13	–	13
Other payables and accruals	293	12	305
Loan from an associate	101	–	101
Bank and other borrowings	642	598	1,240
Income tax payable	3	–	3
Financial liability interest rate swap	–	10	10
Lease liabilities (Note 18)	–	31	31
Deferred tax liabilities (Note 30(b))	23	62	85
	(803)	(267)	(1,070)
(Loss)/gain on disposals before reclassification of reserve	(302)	14	(288)
Reclassification of other reserve	–	(11)	(11)
Reclassification of translation reserve	–	1	1
Net (loss)/gain on disposal	(302)	4	(298)
Satisfied by			
Cash received	129	297	426
Less: Cash and cash equivalents disposed of	(16)	(47)	(63)
Less: Direct expenses	–	(17)	(17)
Net cash inflow	113	233	346

NOTES TO THE FINANCIAL STATEMENTS

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

	2019 RMB'million	2018 RMB'million
Investments in associates (Note (a))	297	305
Investment in a joint venture (Note (b))	–	583
	297	888

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2019 RMB'million	2018 RMB'million
Share of profits from associates (Note (a))	19	25
Share of profit from joint venture (Note (b))	17	12
	36	37

(a) Investments in Associates

	2019 RMB'million	2018 RMB'million
As at 1 January	305	230
Capital contributions	–	50
Disposal of investment in an associate (Note 20(c))	(26)	–
Dividend declared (Note)	(1)	–
Share of profits from associates	19	25
As at 31 December	297	305

Note: In December 2017, the Group acquired 5% equity interest in Changzhou Ranchen Solar Investment Limited ("Changzhou Ranchen"). The Group considers that significant influence existed over Changzhou Ranchen by way of representation on the board of directors and participation in policy-making processes, including participation in decisions about dividends or other distributions. Under HKAS28, Changzhou Ranchen was classified as an associate and had been accounted for in the consolidated financial statements using equity method.

Pursuant to an option agreement entered into between the Group and the major shareholder of Changzhou Ranchen during the year ended 31 December 2017, the Group was granted a call option to acquire 95% equity interest in Changzhou Ranchen. Such option may be exercisable by the Group within three months from the third anniversary of the completion of the registration of the share transfer at its discretion (Note 22(a)).

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in Associates (Continued)

During the year ended 31 December 2019, the Group disposed its equity interest in Changzhou Ranchen through the disposal of the equity interest in a subsidiary. (Note 22(a))

Set out below are the associates which, in the opinion of the directors, are material to the Group as at 31 December 2019.

Name of entity	Place of establishment	% of ownership interest 2019	2018	Principal activities
Fengxian Huize Photovoltaic Energy Limited ("Fengxian Huize")	The PRC	**50%**	50%	Operation and management of solar power plants
Shenzhen Chuangxin Silk Road Leasing Company Limited ("Shenzhen Chuangxin")	The PRC	**38.64%**	38.64%	Finance lease arrangement for the operation of solar power plants

The English names of the associates represent the best effort by the Group's management to translate their Chinese names, as the associates do not have official English names.

All associates are private companies and there are no quoted market prices available for their shares.

There were no contingent liabilities relating to the Group's investments in associates as at 31 December 2019 (2018: Nil).

Set out below are the summarised financial information for the material associates for the years ended 31 December 2018 and 2019.

	Shenzhan Chuangxin		Fengxian Huize	
	2019 RMB'million	2018 RMB'million	**2019 RMB'million**	2018 RMB'million
Assets and liabilities as at 31 December				
Current assets	**668**	534	**68**	69
Non-current assets	**627**	780	**334**	347
Current liabilities	**(174)**	(85)	**(165)**	(212)
Non-current liabilities	**(681)**	(783)	**(15)**	(16)
Profit or loss for the year ended 31 December				
Revenue	**47**	58	**67**	59
(Loss)/profit and total comprehensive (loss)/ income for the year	**(6)**	2	**34**	33
Dividend received from associates	**–**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in Associates (Continued)

	Shenzhen Chuangxin		Fengxian Huize	
	2019	2018	**2019**	2018
	RMB'million	RMB'million	**RMB'million**	RMB'million
Reconciliation to carrying amounts:				
Opening net assets	**446**	315	**188**	155
Capital injection	**–**	129	**–**	–
Share of (loss)/profit	**(6)**	2	**34**	33
Closing net assets	**440**	446	**222**	188
Group's % of ownership	**38.64%**	38.64%	**50%**	50%
Group's share (in RMB million)	**170**	172	**111**	94

Set out below are the summarised financial information for the remaining associates which were individually immaterial to the Group.

	2019	2018
	RMB'million	RMB'million
The Group's share on:		
Profit and other comprehensive income for the year	**4**	–
Carrying amount of investments	**16**	39

As at 31 December 2019, the cash and cash equivalents of approximately RMB46 million (2018: RMB143 million) that were held by PRC entities of the associates were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investment in a Joint Venture

	2019 RMB'million	2018 RMB'million
As at 1 January	**583**	571
Share of profit from a joint venture	**17**	12
Disposal of investment in a joint venture (Note 20(c))	**(600)**	–
As at 31 December	**–**	583

In December 2017, the Group formed a joint venture with two business partners, through setting up a limited partnership, Changzhou Haozhen Venture Investment Center Limited Partnership ("Haozhen Limited Partnership"), in the PRC, to invest in renewable energy business. Each limited partner would contribute approximately RMB500 million to the joint venture. Under the partnership agreement, all relevant decisions were made unanimously. Under HKFRS 11, Haozhen Limited Partnership was classified as a joint venture and has been accounted for in the consolidated financial statements using equity method. As at 31 December 2018, the joint venture held 95% equity interest in a project company which held solar power plants with aggregate installed capacity of 270MW in the PRC (the "270MW Projects") with the remaining 5% held by the Group and classified as an associate.

During the year ended 31 December 2019, the Group disposed of its equity interest in Haozhen Limited Partnership through the disposal of the equity interest in a subsidiary (Note 20(c)).

Set out below is the information of Haozhen Limited Partnership, the only joint venture of the Group before the disposal during the year ended 31 December 2019.

Name of entity	Place of establishment	% of ownership interest		Principal activity
		2019	2018	
Haozhen Limited Partnership	The PRC	–	33.1%	Investment holding

The English name of the joint venture represents the best effort by the Group's management to translate its Chinese name, as the joint venture does not have official English name.

The joint venture is a private company and there is no quoted market price available for its shares. There were no contingent liabilities relating to the Group's interest in this joint venture as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investment in a Joint Venture (Continued)

Set out below are the summarised unaudited financial information for Haozhen Limited Partnership for the years ended 31 December 2018 and 2019.

	2019 RMB'million	2018 RMB'million
Assets and liabilities as at 31 December		
Current assets	–	1,129
Non-current assets	–	2,514
Current liabilities	–	(536)
Non-current liabilities	–	(1,348)
Profit or loss for the year ended 31 December		
Revenue	233	345
Depreciation	(58)	(82)
Interest income	–	1
Interest expense	(101)	(158)
Profit and total comprehensive income for the year	51	33
Dividend received from joint venture	–	–

	2019 RMB'million	2018 RMB'million
Reconciliation to carrying amount		
Opening net assets	1,759	1,726
Share of profit	51	33
Disposal of investment in a joint venture	(1,810)	–
Closing net assets	–	1,759
Group's % of ownership	–	33.11%
Group's share (in RMB million)	–	583

As at 31 December 2018, the cash and cash equivalents of approximately RMB75 million that was held by Haozhen Limited Partnership was subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'million	2018 RMB'million
Call options in relation to acquisition of investments accounted for using equity method (Note (a), Note 21(a))	–	60
Guaranteed electricity output (Note (b))	4	15
Unlisted investments (Note (c))	38	174
	42	249
Less: Amounts classified as non-current portion	–	(60)
Current portion	42	189

Notes:

(a) Pursuant to an option agreement entered into between the Group and the major shareholder of Changzhon Ranchen during the year ended 31 December 2017, the Group was granted a call option to acquire 95% equity interest in Changzhon Ranchen (Note 21(a)). During the year ended 31 December 2019, the call option to acquire 95% equity interest in an associate was disposed of. Fair value loss of approximately RMB7 million was recognised up to the date of disposal during the year ended 31 December 2019 (2018: RMB60 million). The net carrying value of the call options as at the disposal date was approximately RMB53 million.

(b) According to certain sale and purchase agreements entered into between the Group and the vendors in respect of acquisition of subsidiaries, the vendors undertook to guarantee certain level of electricity output generated by the underlying solar power plants for a period of time and the shortfall would be payable by the vendors. The fair value was arrived at after considering the contractual terms, the actual shortfall in electricity generated and the outcome of the negotiation with the relevant vendors.

(c) Unlisted investments represent equity investment in unlisted companies engaging in renewable energy related business. The directors of the Company intend to divest these investments in the foreseeable future and accordingly, they are classified as financial assets at fair value through profit or loss.

As at 31 December 2018, the Group's unlisted investments with a carrying amount of RMB174 million mainly represented investment in investee companies engaging in the provision of Engineering, Procurement and Construction ("EPC") service and investment in solar power plant projects. Pursuant to the "Notice on PV Power Generation in 2018" (《2018年光伏發電有關事項的通知》) and the "Notice on improving the grid-connected electricity price mechanism for PV power generation"(《國家發展改革委關于完善光伏發電上網電價機制有關問題的通知》) issued by the NDRC in May 2018 and April 2019 respectively, the feed-in-tariffs for future on-grid solar power plant projects are significantly reduced. This national-wide policy has resulted in significant reduction of profitability in each segment in the solar energy industry ecosystem. In 2019, the investee company evaluated the impact of these new national policies and decided to cease to engage new EPC projects as it is considered to be not financially viable. Consequently, the fair value of these investee companies decreased to RMB24 million as at 31 December 2019 which its fair value is determined with reference to a business valuation report issued by an independent valuer and a fair value loss of RMB150 million was recorded for the year then ended.

In September 2019, the Group disposed of a 95% equity interest of a wholly-owned subsidiary which holds a wind power plant with an aggregated capacity of 96MW and the remaining 5% equity interest is recognised as a financial asset at fair value through profit or loss. As at 31 December 2019, the fair value of the 5% equity interest is RMB14 million, which is determined based on the recent transaction with an independent third party.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In January 2019, the Group made an investment to acquire an equity interest in an investee company for a consideration of RMB234 million. The investee company owns four on-grid wind power plants with an aggregated installed capacity of 198MW in Sichuan province and a portfolio of wind power plants under construction with an aggregated installed capacity of about 400MW in the PRC. The completion of these wind power plants under construction requires significant additional financing.

Due to the adverse impact of the new government policy in reducing feed-in-tariffs and the persistent high regional curtailment rate of renewable energy (solar, wind and hydro) in the northwestern part of the PRC on the Group's business, the directors of the Company reassessed the strategy and decided to divest non-core assets and mitigate future capital commitment in order to deploy resources focusing on solar related business in the PRC. In December 2019, the equity interest in the investee wind power company was disposed of to a third party at a consideration of approximately RMB3 million.

NOTES TO THE FINANCIAL STATEMENTS

24 OTHER RECEIVABLES, CONTRACT ASSETS, DEPOSITS AND PREPAYMENTS

	2019 RMB'million	2018 RMB'million
Non-current		
Deposits for investments (Note (a), Note 2.1(a))	–	1,255
Value-added tax recoverable	521	671
Prepayment for property, plant and equipment	10	13
Others	9	44
	540	1,983
Current		
Deposits for investments (Note (a), Note 2.1(a))	1,022	–
Amounts due from associates (Note (b))	125	113
Amount due from a joint venture (Note (b))	–	2
Amount due from a related company (Note (b))	–	20
Amounts due from NEX Group (Note (a))	1,488	7
Value-added tax recoverable	645	596
Contract assets	15	–
Other receivables, deposits and prepayments	155	216
	3,450	954
	3,990	2,937
Less: Impairment loss of deposits for investment and other receivables (Note (a))	(1,094)	–
Total	2,896	2,937

Notes:

(a) During the years ended 31 December 2018 and 2017, the Group entered into several conditional sale and purchase agreements and framework agreement in relation to proposed acquisition of project companies which own renewable energy projects. As at 31 December 2019, the Group had Deposits to NEX Group of HK$598 million (equivalent to approximately RMB522 million) and the Deposits to SZZY of RMB500 million remained outstanding. As at the same date, the Group also had amounts due from NEX Group of approximately RMB1,488 million (before impairment provision) and amounts due to NEX Group of approximately RMB1,132 million (Note 31).

Considering the findings of the Investigation, management considered there is significant increase in credit risk in these counterparties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, impairment loss of approximately RMB1,094 million were recognised during the year ended 31 December 2019. The amounts included the impairment loss of approximately RMB1,022 million for the Deposits to NEX and SZZY; and approximately RMB72 million for the amounts due from NEX Group. Note 3.1(b)(ii) sets out information about the impairment of other receivables and deposits and the Group's exposure to credit risk.

(b) As at 31 December 2019, the amounts due from associates, a joint venture and a related company were unsecured, interest-free and repayable on demand (2018: Same).

(c) Write-off on other receivables mainly represented an extinguishment of legal right as a result of settlement of legal cases of RMB21 million.

NOTES TO THE FINANCIAL STATEMENTS

25 CASH DEPOSITS

	2019 RMB'million	2018 RMB'million
Non-current		
Pledged deposits (Note (b))	**1,265**	1,838
Current		
Pledged deposits (Note (b))	**1,440**	967
Restricted cash (Note (c))	**20**	8
Cash and cash equivalents	**239**	407
	1,699	1,382
Total	**2,964**	3,220

Notes:

(a) As at 31 December 2019, the Group's bank balances of approximately RMB2,961 million (2018: RMB3,163 million) were deposited with banks or other financial institutions in the PRC. The remittance of these funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Pledged deposits represented deposits pledged to banks or other financial institutions to secure banking facilities granted to the Group (Note 28(a)). Deposits of approximately RMB1,265 million (2018: RMB1,838 million) were pledged to secure long-term borrowings granted to the Group which are due after one year, and therefore classified as non-current assets. The remaining deposits were pledged to secure short-term borrowings and therefore classified as current assets.

(c) As at 31 December 2019, bank balance of approximately RMB20 million (2018: RMB8 million) was restricted for certain environmental protection purpose required by the local government. The deposit will be released upon fulfillment of such requirement.

26 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

26 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES (Continued)

The directors of the Company consider that the expected credit loss for trade, bills and tariff adjustment receivables is insignificant as at 31 December 2018 and 2019. Note 3.1(b) provides details about the allowances.

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

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

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

Pursuant to Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, tariff adjustment receivables will be settled upon successful registration in the Catalogue. Caijian [2013] No.390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment. According to Caijian [2020] No.5 Notice issued in January 2020 on the Measures for Administration of Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in January 2020, Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) was replaced such that the Central Government will no longer approve and publish Renewable Energy Tariff Subsidy Catalogue. On the other hand, the procedures for settlement of tariff adjustment is intended to be further simplified whereby it is indicated in Caibanjian [2020] No.6 Office of Ministry of Finance's Procedures in relation to Commencement of Approval Procedures of Renewable Energy Tariff Subsidy Project List (財政部辦公廳關于開展可再生能源發電補貼項目清單審核有關工作的通知) that all qualified renewable energy power plants (存量項目) ("qualified power plants") which fulfil certain requirements are eligible to be enlisted to the Tariff Subsidy Project List (補貼項目清單). Qualified power plants include all 1st to 7th batch Catalogue power plants, which will be automatically enlisted in the Tariff Subsidy Project List. The Group submitted application for all qualified power plants of the Group before 30 April 2020 and the management are of the opinion that 23 solar power plants with aggregate capacities of 767.7MW shall be further enlisted in the Tariff Subsidy Project List. The management are of the opinion that the registration is an administrative procedure and the tariff adjustment receivables will be settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance. There is no due date for settlement. The tariff adjustment receivables are fully recoverable considering there were no bad debt experiences with the project companies in the past and such tariff adjustment is funded by the PRC government.

26 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES (Continued)

Given the track record of regular repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. Since August 2014, the Group has one solar power plant project with capacity of 100MW, successfully enlisted on the fifth batch of the Catalogue. Since August 2016, the Group has another fifteen solar power plants with an aggregate capacity of 630MW successfully enlisted on the sixth batch of the Catalogue. Since June 2018, the Group has another fourteen solar power plants with an aggregate capacity of 327.6MW successfully enlisted on the seventh batch of the Catalogue.

During the year ended 31 December 2019, the Group received an aggregate amount of RMB828 million mainly for the subsidies incurred during April 2017 to February 2018 for the solar power plant projects enlisted on the fifth, sixth and seventh batch of the Catalogue (2018: RMB627 million for the subsidies incurred during December 2016 to March 2017 of solar and wind power plant projects enlisted on the fifth, sixth and seventh batch of the Catalogue). The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. However, given the collection of tariff adjustment receivables is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable. As the collection of tariff adjustment receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Consequently, no loss allowance of trade receivables was recognised as at 31 December 2019 (2018: Nil).

As of 31 December 2019, all trade receivables were expected to be recoverable. The carrying amounts of trade and bills receivables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

27 SHARE CAPITAL

	Number of shares (million)		Share capital	
	2019	2018	**2019**	2018
			RMB'million	RMB'million
Ordinary shares of HK$0.1 each				
Authorised				
At 1 January	**20,000**	20,000	**1,637**	1,637
Increase in authorised share capital (Note (a))	**10,000**	–	**888**	–
At 31 December	**30,000**	20,000	**2,525**	1,637
Issued and fully paid				
At 1 January	**9,530**	9,530	**803**	803
Issue of shares through placement (Note (b))	**5,721**	–	**482**	–
At 31 December	**15,251**	9,530	**1,285**	803

Notes:

(a) Increase in authorised share capital

Pursuant to the Board of Directors' resolution dated 30 December 2019, the authorised share capital of the Company was increased from HK$2,000,000,000 divided into 20,000,000,000 shares of HK$0.1 each to HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.1 each by the creation of an additional 10,000,000,000 new shares on the same date, which shall rank equally in all respects with the existing shares.

(b) Share placement

On 21 March 2019, the Company issued 3,048,750,000 ordinary shares to Huaqing Solar Power Limited ("Huaqing"), 1,351,992,566 ordinary shares to the affiliate companies of CMNEG, a substantial shareholder, 938,054,087 ordinary shares to China Huarong Overseas Investment Holdings Co., Limited ("Huarong"), a substantial shareholder, and 382,396,814 ordinary shares to Asia Pacific Energy and Infrastructure Investment Group Limited ("Asia Pacific"), a shareholder, in an aggregate of 5,721,193,467 ordinary shares at HK$0.30 for each ordinary share through placement. The issue price per share were HK$0.30. The proceeds from the share subscription amounted to approximately HK$1,716 million (equivalent to approximately RMB1,444 million), against loan from Huaqing, Huarong and Asia Pacific of approximately US$117 million, HK$84 million and HK$23 million, respectively (equivalent to approximately RMB771 million, RMB71 million and RMB19 million, respectively), other payables due to Asia Pacific of approximately HK$92 million (equivalent to approximately RMB78 million) and transaction cost. The fair value of shares issued to shareholders settled by the extinguishment of the aforesaid liabilities as at the completion date were approximately RMB971 million, thus a loss on debt extinguished by issuing equity instruments of approximately RMB32 million.

All shares issued during the year ended 31 December 2019 rank pari passu in all respects with the existing shares of the Company.

27 SHARE CAPITAL (Continued)

Notes: (Continued)

(c) Share options

Certain share options were granted under the share option scheme adopted on 19 June 2012 to directors and employees of the Group. The option granted are subject to a vesting scale in three tranches of 30%, 30% and 40% with a vesting period of 1, 2 and 3 years respectively starting from the 1st anniversary and become fully vested on the 1st, 2nd and 3rd anniversary of the grant respectively. In the table below, "exercisable period" begins with the 1st anniversary of the grant date.

Details of the share options movement during the year are as follows:

				Number of share options (in thousands)				
	Exercisable period			As at	During the year			As at
			Exercise	1 January				31 December
Date of grant	**From**	**To**	**price HK$**	**2019**	**Granted**	**Exercised**	**Lapsed**	**2019**
Directors								
8.1.2015	8.1.2016	7.1.2020	1.00	5,100	–	–	(1,800)	3,300
8.1.2015	8.1.2017	7.1.2020	1.00	5,100	–	–	(1,800)	3,300
8.1.2015	8.1.2018	7.1.2020	1.00	6,800	–	–	(2,400)	4,400
28.1.2016	28.1.2017	27.1.2021	0.564	2,100	–	–	(300)	1,800
28.1.2016	28.1.2018	27.1.2021	0.564	4,200	–	–	(2,100)	2,100
28.1.2016	28.1.2019	27.1.2021	0.564	5,600	–	–	(2,800)	2,800
16.6.2017	16.6.2018	15.6.2022	1.076	54,000	–	–	(48,900)	5,100
16.6.2017	16.6.2019	15.6.2022	1.076	54,000	–	–	(48,900)	5,100
16.6.2017	16.6.2020	15.6.2022	1.076	72,000	–	–	(65,200)	6,800
12.9.2017	12.9.2018	11.9.2022	1.132	21,000	–	–	–	21,000
12.9.2017	12.9.2019	11.9.2022	1.132	21,000	–	–	–	21,000
12.9.2017	12.9.2020	11.9.2022	1.132	28,000	–	–	–	28,000
				278,900	–	–	(174,200)	104,700
Employees								
8.1.2015	8.1.2016	7.1.2020	1.00	4,020	–	–	(1,200)	2,820
8.1.2015	8.1.2017	7.1.2020	1.00	4,020	–	–	(1,200)	2,820
8.1.2015	8.1.2018	7.1.2020	1.00	5,360	–	–	(1,600)	3,760
28.1.2016	28.1.2017	27.1.2021	0.564	1,093	–	–	(273)	820
28.1.2016	28.1.2018	27.1.2021	0.564	1,831	–	–	(297)	1,534
28.1.2016	28.1.2019	27.1.2021	0.564	2,442	–	–	(396)	2,046
16.6.2017	16.6.2018	15.6.2022	1.076	62,250	–	–	(3,300)	58,950
16.6.2017	16.6.2019	15.6.2022	1.076	62,250	–	–	(3,300)	58,950
16.6.2017	16.6.2020	15.6.2022	1.076	83,000	–	–	(4,400)	78,600
12.9.2017	12.9.2018	11.9.2022	1.132	–	–	–	–	–
12.9.2017	12.9.2019	11.9.2022	1.132	–	–	–	–	–
12.9.2017	12.9.2020	11.9.2022	1.132	–	–	–	–	–
				226,266	–	–	(15,966)	210,300
				505,166	–	–	(190,166)	315,000
Exercisable at the end of the year				176,875				201,600

NOTES TO THE FINANCIAL STATEMENTS

27 SHARE CAPITAL (Continued)

Notes: (Continued)

(c) Share options (Continued)

Details of the share options movement during the year are as follows: (Continued)

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The significant assumptions used in the binomial model to derive the fair value at the date of grant were as follows:

Date of grant	12 September 2017	16 June 2017	28 January 2016	8 January 2015
Risk free rate	0.984%	0.984%	1.295%	1.257%
Expected volatility	50%	50%	45%	45%
Expected dividend yield	0%	0%	0%	0%
Life of option (year)	5	5	5	5
Closing share price at grant date	HK$1.09	HK$1.03	HK$0.55	HK$1.00
Exercise price per share	HK$1.132	HK$1.076	HK$0.564	HK$1.00
Weighted average fair value per share option	HK$0.4135	HK$0.3962	HK$0.1927	HK$0.3496

The expected volatility is calculated based on the historic volatility of share prices of the Company and comparable companies based on publicly available information. Expected dividend yield is based on historic dividends.

During the year 31 December 2019, share-based payment expenses of approximately RMB6 million (2018: RMB42 million) were recognised in the consolidated statement of profit or loss in relation to share options.

28 BANK AND OTHER BORROWINGS

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

NOTES TO THE FINANCIAL STATEMENTS

28 BANK AND OTHER BORROWINGS (Continued)

The Group's bank and other borrowings were repayable as follows:

	2019			2018		
	Bank borrowings RMB'million	Other borrowings RMB'million	Total RMB'million	Bank borrowings RMB'million	Other borrowings RMB'million	Total RMB'million
Within 1 year	2,643	5,061	7,704	3,249	2,273	5,522
Between 1 and 2 years	1,528	1,263	2,791	1,157	4,863	6,020
Between 2 and 5 years	2,449	1,702	4,151	3,199	2,290	5,489
Over 5 years	2,204	1,829	4,033	3,045	2,435	5,480
	8,824	9,855	18,679	10,650	11,861	22,511

Notes:

(a) As at 31 December 2019, bank borrowings and loans from leasing companies were secured by the following:

(i) pledged deposits (Note 25(b));
(ii) power generating modules and equipment (Note 17);
(iii) pledge of the fee collection right in relation to the sales of electricity; and
(iv) mortgage over the equity interest in certain subsidiaries.

(b) During the year ended 31 December 2019, the Group entered into several direct leases and sales and leaseback agreements with leasing companies for certain assets, which included power generating modules and equipment ("Secured Assets"), of principal amounted to approximately RMB690 million (2018: RMB1,953 million). The arrangements were for periods of 3 to 10 years (2018: 2 to 13 years). Upon maturity, the Group will be entitled to purchase the Secured Assets at a minimal consideration. The Group considered that it was almost certain that they would exercise this repurchase option. As substantial risks and rewards of the Secured Assets were retained by the Group before and after these arrangements, the transactions were regarded as secured borrowings, rather than finance lease arrangements; and

As at 31 December 2019, loans from leasing companies included loans from an associate of approximately RMB418 million (2018: RMB472 million). The loans were secured by property, plant and equipment of approximately RMB545 million (2018: RMB493 million) and bore interest ranging from 4.90% to 4.95% per annum (2018: 4.90% to 4.95% per annum).

(c) As at 31 December 2019 and 2018, senior notes, corporate bonds and medium-term notes were unsecured.

NOTES TO THE FINANCIAL STATEMENTS

28 BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(d) Other loans primarily represented the following:

(i) During the year ended 31 December 2019, the Group entered into two arrangements with two associates of CMNEG ("Purchasers") to dispose of its 34% equity interest of an associate under which there were call options allowing the Group to acquire back the equity interest from the Purchasers. Such call options are exercisable at any time at an amount equivalent to the sum of (i) the consideration payable for the disposals and (ii) the yields calculated at an annualised internal rate of return of 12%. In this connection and under such arrangements, by considering the economic substance of the arrangement and the exercise option, management consider such cash received from the Purchasers amounting to approximately RMB87 million was recognised as other loans as at 31 December 2019 (2018: Nil);

(ii) As at 31 December 2019, the Group had loans from Huaqing Solar Power Limited ("Huaqing") of RMB68 million (2018: RMB836 million), which was unsecured and bore an interest of 13.41% per annum (2018: 13.41% per annum). During the year ended 31 December 2018, a convertible bond with principal amount of US$100 million payable to Huaqing, a substantial shareholder since March 2019, was matured. On 26 December 2018, such convertible bond with its redemption amount and related interest expense totalling approximately US$123 million was redeemed and converted to a loan of approximately US$123 million (equivalent to approximately RMB804 million) payable to Huaqing. Such loan of US$123 million would be repayable on demand. During the year ended 31 December 2019, a portion of the loan of approximately US$117 million (equivalent to approximately RMB771 million) was settled against the consideration for share placement (Notes 27(b) and 34(c));

(iii) During the year ended 31 December 2019, the Group had loans from China Huarong Overseas Investment Holdings Co., Limited ("Huarong"), a substantial shareholder, of approximately RMB71 million (2018: Nil), which was fully settled against the consideration for share placement (Notes 27(b) and 34(c));

(iv) During the year ended 31 December 2019, the Group had loans from Asia Pacific Energy and Infrastructure Investment Group Limited ("Asia Pacific"), a shareholder, of approximately RMB32 million (2018: Nil), a portion of the loan amounted to RMB19 million (2018: Nil) was settled against the consideration for share placement (Notes 27(b) and 34(c)). The remaining balance of such loan was fully settled during the year ended 31 December 2019;

(v) During the year ended 31 December 2018, the Group entered into an arrangement with a third party to dispose of its 100% equity interest of a subsidiary under which there was a call option allowing the Group to acquire back 100% equity interest from that third party. Such call option is exercisable before November 2019 at the amount of the cash received upon the inception of the arrangement plus actual subsequent amounts injected by that third party to the subsidiary together with a premium of 10% per annum. During the year ended 31 December 2019, the Group did not exercise the call option before its expiry in November 2019 and such subsidiary was derecognised. In this connection and under such arrangement, the amount due from that third party amounting to approximately RMB61 million was derecognised from other loans upon the disposal of such subsidiary in November 2019; and

(vi) As at 31 December 2019, other loans included loan from the affiliate company of CMNEG, the substantial shareholder, of approximately RMB35 million (2018: Nil), which were unsecured and bore an interest rate of 2.5% per annum.

(vii) During the year ended 31 December 2019, the Group borrowed loans from two associates of CMNEG, the substantial shareholder, of approximately RMB106 million in aggregate (2018: Nil). The loans were unsecured and bore interests of 10% per annum. The loans were fully repaid during the year.

(viii) As at 31 December 2019, other loans also included a loan from an independent third party of approximately RMB45 million (2018: Nil), which were secured by certain solar modules.

28 BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(e) The principal of bank borrowings and loans from leasing companies which bear floating interest rates are as follows:

	2019 RMB'million	2018 RMB'million
Bank borrowings	7,441	7,653
Loans from leasing companies	4,732	5,241
	12,173	12,894

(f) The effective interest rate per annum of bank and other borrowings as at 31 December 2019 was 5.43% (2018: 5.31%). The weighted average life of bank and other borrowings as at 31 December 2019 was 4.95 years (2018: 5.37 years).

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

29 CONTINGENT CONSIDERATION PAYABLES

	2019 RMB'million	2018 RMB'million
Non-current portion (Note (a))	–	10
Current portion (Note (b))	–	26
	–	36

Notes:

(a) As at 31 December 2018, the contingent consideration payable arose from the acquisition of a project in the PRC, which the contingent consideration would be paid upon the final approval of feed-in-tariff reaches an agreed reference price pursuant to the sale and purchase agreement. During the year ended 31 December 2019, such project company was disposed of. As at disposal date, the carrying amount of the contingent consideration payable was RMB13 million.

(b) As at 31 December 2018, the contingent consideration payable arose from an acquisition of the projects in the UK, which the additional payments would be subject to the total net electricity generation of the UK projects for the relevant earn-out periods. During the year ended 31 December 2019, the Group entered into a mutual agreement with the vendor to settle such contingent consideration of RMB23 million at RMB10 million. Accordingly, a fair value gain on contingent consideration of RMB13 million is recognised in the consolidated statement of profit or loss during the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

30 DEFERRED TAX

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2019 RMB'million	2018 RMB'million
Deferred tax assets	27	28
Deferred tax liabilities	(256)	(684)
	(229)	(656)

The net movement in the deferred tax during the year is as follows:

	2019 RMB'million	2018 RMB'million
As at 1 January	(656)	(693)
Acquisition of subsidiaries (Note 35)	2	(12)
Credited to consolidated statement of profit or loss (Note 13)	344	49
Disposal of subsidiaries (Note 20(c))	81	–
As at 31 December	(229)	(656)

(a) Deferred tax assets

	2019 RMB'million	2018 RMB'million
As at 1 January	28	29
Adoption of HKFRS 16	27	–
As at 1 January	55	29
Disposal of subsidiaries (Note 20(c))	(4)	–
Credited/(charged) to consolidated statement of profit or loss (Note 13)	6	(1)
As at 31 December	57	28

Deferred tax assets are recognised mainly for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2019, approximately RMB27 million deferred tax asset arising from tax losses related to the electricity businesses in the PRC was recognised (2018: the PRC and the UK of approximately RMB20 million).

As at 31 December 2019, the Group has unrecognised deferred tax assets of approximately RMB166 million (2018: RMB134 million) in respect of tax losses of approximately RMB649 million (2018: RMB501 million), that can be carried forward against future taxable income. As at 31 December 2019, these tax losses of approximately RMB605 million (2018: RMB467 million) will expire at various dates up to and including 2024 (2018: 2023).

30 DEFERRED TAX (Continued)

(b) Deferred tax liabilities

Deferred taxation, representing fair value adjustment, is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions. The movements in deferred income tax liabilities are as follows:

	2019 RMB'million	2018 RMB'million
As at 1 January	**(684)**	(722)
Adoption of HKFRS 16	**(27)**	–
As at 1 January	**(711)**	(722)
Acquisition of subsidiaries (Note 35)	**2**	(12)
Disposal of subsidiaries (Note 20(c))	**85**	–
Charged to consolidated statement of profit or loss (Note 13)	**338**	50
As at 31 December	**(286)**	(684)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC.

As at 31 December 2019, deferred tax liabilities of approximately RMB116 million (2018: RMB88 million) have not been recognised for the withholding tax that would be payable on the remittance of earnings of PRC subsidiaries. The related unremitted earnings totalled approximately RMB2,323 million at 31 December 2019 (2018: RMB1,766 million), and the Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Company in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 OTHER PAYABLES AND ACCRUALS

	2019 RMB'million	2018 RMB'million
Non-current		
Other payables	8	–
Current		
Construction costs payable	574	701
Consideration payable in relation to acquisitions (Note (a))	145	229
Value-added tax payables	472	339
Amounts due to associates (Note (b))	8	296
Amounts due to NEX Group (Note 24(a))	1,132	–
Provision for legal claims (Note (d))	17	–
Receipt-in-advance (Note (c))	300	–
Other payables and accruals	476	530
	3,124	2,095
	3,132	2,095

Note:

(a) During the year ended 31 December 2019, a portion of the consideration payable to Asia Pacific, a shareholder, was settled against the consideration for share placement of HK$92 million (equivalent to approximately RMB78 million) (Note 27(b)). As at 31 December 2019, there is no outstanding consideration payable to Asia Pacific (2018: RMB80 million).

(b) During the year ended 31 December 2018, the Group obtained a loan from an associate with principal amount of approximately RMB287 million with an interest rate of 4.35% per annum. The loan was unsecured and repayable in December 2019, and was repaid in December 2019. As at 31 December 2019, the amounts due to the associates of RMB8 million (2018: RMB9 million) were unsecured, interest-free and repayable on demand.

(c) As at 31 December 2019, other payables and accruals included a consideration receipt-in-advance from a third party of RMB300 million (2018: Nil). The amount is unsecured, interest-free and repayable on demand.

(d) As at 31 December 2019, the provision mainly related to a legal case lodged by an EPC contractor against the Group. On 30 December 2019, a favourable judgement was handed down against the Group in respect of this legal claim made by the EPC contractor. However, after taking appropriate legal advice, the directors have given careful consideration regarding the likelihood of an appeal filed by the EPC contractor and the possible legal claim exposures. If the court concluded an unfavourable judgement to the Group, payment of approximately RMB15 million will be required. The recognised provision reflects the directors' best estimate of the most likely outcome. Subsequent to the year ended 31 December 2019, the EPC contractor has filed an appeal against the case decision on 10 January 2020 and the court has concluded an overriding unfavourable judgement to the Group on 29 May 2020.

32 OTHER DERIVATIVE FINANCIAL INSTRUMENTS

	2019 RMB'million	2018 RMB'million
Interest rate swaps – cash flow hedge (Note)		
Non-current liabilities	–	8
Current liabilities	–	2
	–	10

Note: As at 31 December 2018, the other derivative financial instruments represented the interest rate swap contracts for hedging against the interest rate risk in respect of the 7 years' syndicated loan denominated in GBP with a notional principal amount of approximately GBP66 million. The swap contracts had similar critical terms as the hedged item, such as reference rate, payment dates, maturities and notional amount. The Group hedged 100% of its loan and all critical terms matched during the year ended 31 December 2018, the economic relationship was 100% effective. There was no ineffectiveness during 2018 in relation to the interest rate swaps.

During the year ended 31 December 2019, the other derivative financial instruments in relation to the interest rate swaps were disposed of through the disposal of the UK operations (Note 20).

33 FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2019, the Group held the following financial instruments:

	Note	2019 RMB'million	2018 RMB'million
Financial assets			
Financial assets at fair value through profit or loss	22	42	249
Financial assets at amortised cost			
Trade, bills and tariff adjustment receivables and contract assets	26	3,808	4,093
Other financial assets at amortised cost		1,693	1,362
Cash deposits	25	2,964	3,220
		8,507	8,924
Financial liabilities			
Financial liabilities at amortised cost			
Bank and other borrowings	28	18,301	22,072
Other payables		2,295	1,748
Lease liabilities	18	121	–
Financial liabilities at fair value through profit or loss			
Contingent consideration payables	29	–	36
Hedging instruments			
Interest rate swaps	32	–	10
		20,717	23,866

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3.1. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

NOTES TO THE FINANCIAL STATEMENTS

34 CASH FLOW INFORMATION

(a) Cash generated from operations from continuing operations

	2019 RMB'million	2018 RMB'million (Restated) (Note 2.1)
Loss before income tax from continuing operations	(3,779)	(482)
Adjustments for:		
Government grant	(11)	(2)
Loss on disposal of subsidiaries	302	–
Bargain purchase arising from business combinations	–	(26)
Depreciation for property, plant and equipment	581	553
Depreciation for right-of-use assets	26	–
Fair value losses on financial assets at fair value through profit or loss	168	114
Fair value (gain)/losses on financial liabilities at fair value through profit or loss	(13)	7
Loss on debt extinguished by issuing equity instruments	32	–
Finance income	(77)	(84)
Finance costs	1,239	1,319
Impairment charge on concession rights	531	279
Impairment charge on development costs	831	–
Impairment charge on property, plant and equipment	958	–
Impairment charge on right-of-use assets	18	–
Write off on other receivables	39	13
Impairment loss of financial assets	1,094	–
Share-based payment expenses	6	42
Share of profits of investments accounted for using equity method	(36)	(37)
Operating profit before working capital changes	1,909	1,696
Changes in working capital		
Other receivables, contract assets, deposits and prepayments	(1,062)	715
Trade, bills and tariff adjustment receivables	(903)	(2,162)
Other payables and accruals	1,790	98
Cash generated from operations from continuing operations	1,734	347

34 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities from financial activities

	Bank borrowings RMB'million	Loans from leasing companies RMB'million	Senior notes RMB'million	Corporate bonds RMB'million	Medium–term notes RMB'million	Other loans RMB'million	Convertible bonds RMB'million	Loan from an associate RMB'million	Lease liabilities RMB'million
As at 1 January 2018	10,651	3,267	2,287	1,731	250	20	981	–	–
Cash flows									
Principal and related arrangement fee	(171)	1,655	–	(6)	167	777	(306)	287	–
Interest paid	–	–	(187)	–	–	–	(25)	–	–
Non-cash changes									
Acquisition of subsidiaries	–	271	–	–	–	–	–	–	–
Finance costs	65	67	205	29	5	–	136	–	–
Initial recognition on unamortised loan facilities fees	–	(42)	–	–	–	–	–	–	–
Transfer from convertible bonds to loans	–	–	–	–	–	804	(804)	–	–
Exchange difference	52	–	131	–	8	36	18	–	–
As at 31 December 2018	10,597	5,218	2,436	1,754	430	1,637	–	287	–
As at 1 January 2019	**10,597**	**5,218**	**2,436**	**1,754**	**430**	**1,637**	**–**	**287**	**–**
Adoption of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**143**
	10,597	**5,218**	**2,436**	**1,754**	**430**	**1,637**	**–**	**287**	**143**
Cash flows									
Principal and related arrangement fee	**(780)**	**35**	**–**	**(270)**	**(103)**	**148**	**–**	**(186)**	**(16)**
Interest paid	**–**	**–**	**(197)**	**–**	**–**	**–**	**–**	**–**	**(5)**
Non-cash flows									
Acquisition of subsidiaries (Note 35)	**–**	**167**	**–**	**–**	**–**	**–**	**–**	**–**	**12**
Disposal of subsidiaries (Note 20(c))	**(577)**	**(581)**	**–**	**–**	**–**	**(82)**	**–**	**(101)**	**(31)**
Termination of lease	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9)**
Addition of lease	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22**
Transfer with other payables	**–**	**–**	**–**	**–**	**–**	**25**	**–**	**–**	**–**
Net-off against the consideration for share placement (Note (c))	**–**	**–**	**–**	**–**	**–**	**(861)**	**–**	**–**	**–**
Settling with bills receivables	**(500)**	**–**	**–**	**–**	**–**	**(575)**	**–**	**–**	**–**
Finance costs	**8**	**71**	**216**	**28**	**3**	**–**	**–**	**–**	**5**
Exchange difference	**27**	**1**	**50**	**–**	**1**	**(25)**	**–**	**–**	**–**
As at 31 December 2019	**8,775**	**4,911**	**2,505**	**1,512**	**331**	**267**	**–**	**–**	**121**

(c) Major non-cash transactions

During the year ended 31 December 2019, the major non-cash transaction included a portion of the loan of approximately US$117 million (equivalent to approximately RMB771 million), HK$84 million (equivalent to approximately RMB71 million) and HK$23 million (equivalent to approximately RMB19 million) and other payables of approximately HK$92 million (equivalent to approximately RMB78 million) having settled against the considerations for share placement of respective shareholders.

During the year ended 31 December 2018, a convertible bond with principal amount of US$100 million was matured, and upon the maturity date, such convertible bond with its redemption amount and related interest expense totalling approximately US$123 million was redeemed and converted to a loan of approximately US$123 million payable to the original convertible bond holder, which has become a substantive shareholders of the Company since March 2019 (Note 28(d)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

35 BUSINESS COMBINATION

It is the Group's strategy to identify suitable investment opportunity to acquire renewable energy projects with good prospects and potential for stable returns.

During the year ended 31 December 2019, the Group completed the acquisitions of five solar power plants in the PRC from independent third parties through its indirectly wholly-owned subsidiaries. The acquisitions have immediately enabled to supplement the Group's existing renewable power plant portfolio and further expand its scale of business in the renewable energy sector to enhance return to the shareholders of the Company. The table below summarised the details of the projects acquired.

Name of the company	Month of acquisition in 2019	Equity interest acquired	Cash consideration	Power plants acquired			
				Type	Location	Number of plants	Installed capacity
			RMB'million				MW
Dongyuan County Laowei Photovoltaic Technology Co., Limited* ("Dongyuan Laowei") (東源縣老圍光電科技有限公司)	December	100%	61	Solar	Guangdong	2	40
Yantai Jishun Photovoltaic Technology Co., Limited* ("Yantai Jishun") 烟台吉順光電科技有限公司)	December	51%	20	Solar	Shandong	3	50

The key assumptions used for the post-tax cash flow projections for the provisional purchase price allocation, which are based on past experience of the Group and external sources of market information, are as follows:

Capacity	90MW
Utilisation	1,138 to 1,161MWh/MWp
Degradation factor	0.5% per annum
Feed-in tariff	RMB0.58 to RMB0.98/kWh
Discount rate	8% to 8.5%
Construction costs per watt	RMB4.55 to RMB6.6
Operating expenses per watt	RMB0.14 with annual growth rate of 2%

35 BUSINESS COMBINATION (Continued)

The following table summarises the consideration paid, the provisional fair value of identifiable assets acquired, liabilities assumed and the non-controlling interests as at the respective acquisition date:

	2019 RMB'million	2018 RMB'million
Consideration		
Cash	81	117
Intangible assets (Note 19)	14	–
Deferred tax liabilities	(2)	–
	93	117
Recognised amounts of provisional fair value of identifiable assets acquired, liabilities assumed and non-controlling interests		
Property, plant and equipment (Note 17)	328	511
Right-of-use assets (Note 18)	17	–
Value-added tax recoverable	33	43
Trade and tariff adjustment receivables (Note (b))	4	188
Other receivables, deposits and prepayments	19	10
Cash and cash equivalents	5	18
Pledged deposits	7	12
Other payables and accruals	(121)	(332)
Bank and other borrowings	(167)	(271)
Deferred tax liabilities	–	(12)
Lease liabilities (Note 18)	(12)	–
Total identifiable net assets	113	167
Non-controlling interests (Note (d))	(20)	(24)
Bargain purchase recognised in the consolidated statement of profit or loss	–	(26)
	93	117
Net cash inflow/(outflow) arising from the acquisitions		
Consideration payable	–	18
Other payable	81	–
Cash and cash equivalents acquired	5	18
Less: Cash consideration	(81)	(117)
	5	(81)

Notes:

(a) Revenue and profit contribution

No revenue profit contribution since the acquisitions were completed on 31 December 2019.

Had the consolidation taken place at 1 January 2019, the consolidated statement of profit or loss would show pro-forma revenue from sales of electricity and tariff adjustments of approximately RMB2,216 million and loss of RMB3,478 million, respectively.

(b) Acquired receivables

The fair values of trade and tariff adjustment receivables acquired were approximately RMB4 million.

The gross contractual amount of these trade and tariff adjustment receivables due in aggregate was approximately RMB4 million of which no balance was expected to be uncollectible.

NOTES TO THE FINANCIAL STATEMENTS

35 BUSINESS COMBINATION (Continued)

Notes: (Continued)

(c) Provisional fair value of acquired identifiable assets

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations for those assets. Deferred tax has been provided in relation to these fair value adjustments.

(d) Non-controlling interests

The non-controlling interests were recognised at their proportionate share of the recognised amounts of acquirees' identifiable net assets.

36 COMMITMENTS

(a) Capital commitment

As at 31 December 2019, the Group had capital commitments in respect of property, plant and equipment amounted to approximately RMB537 million (2018: RMB369 million).

(b) Lease commitment

The Group leased certain of its office premises, staff quarters and warehouses under non-cancellable operating lease agreements.

From 1 January 2019, the Group has recognised right-of-use assets for its leases, except for short-term and low-value leases. As at 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	2018 RMB'million
Within one year	19
After one year but within five years	49
Over five years	156
	224

As at 31 December 2019, there are no future lease payments committed by the Group where the relevant lease has not commenced.

37 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control.

The following companies are related parties of the Group that had balances and/or transactions with the Group during the year ended 31 December 2019.

Name of related parties	Relationship with the Group
豐縣輝澤光伏能源有限公司	An associate
深圳市創新絲綢之路融資租賃有限公司	An associate
Huaqing Solar Power Limited	A substantial shareholder
China Merchants Group Limited	An affiliate company of a substantial shareholder
China Merchants New Energy Group Limited	A substantial shareholder
China Huarong Overseas Investment Holdings Co., Limited	A substantial shareholder
Asia Pacific Energy and Infrastructure Investment Group Limited	A substantial shareholder
China Huarong Asset Management Co. Ltd	A substantial shareholder

(b) Significant related party transactions

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year.

	2019 RMB'million	2018 RMB'million
Interest expenses paid to shareholder (Note (i))	33	–
Interest expenses paid to associates (Note (ii))	37	43
Loan facility fees paid to an associate (Note (iii))	17	12

NOTES TO THE FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

Notes:

(i) For the year ended 31 December 2019, interest expenses on loans from Huaqing, a substantial shareholder were charged at an interest rate of 13.41% per annum (Note 28(d)(ii)).

(ii) For the year ended 31 December 2019, interest expenses were charged at interest rates ranging from 4.35% to 6.5% per annum (2018: 4.35% to 6.5% per annum). As at 31 December 2019 and 2018, the loans to associates were repayable on demand (Note 28(b)).

(iii) During the year ended 31 December 2019, the loan facility fees paid to an associate amounted approximately RMB36 million (2018: approximately RMB36 million). Such fees were amortised over the period of the loan facility (Note 28(b)).

(c) Significant related party balances

Save as disclosed elsewhere in the consolidated financial statements, there are no other significant related party balances as at 31 December 2019.

(d) Key management compensation

	2019 RMB'million	2018 RMB'million
Short-term employee benefits	10	9
Share-based payment	6	36
	16	45

38 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Save as disclosed elsewhere in the consolidation financial statements, the followings are other events after the date of financial position.

(a) Issuance of new senior notes

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

(b) Issuance of new shares

In February 2020, the Company completed the allotment and issuance of 7,176,943,498 subscription shares at the subscription price of HK$0.25 per share. The net proceeds from the share subscriptions amounted to approximately HK$1,766 million (equivalent to approximately RMB1,573 million). For details, please refer to the announcements of the Company dated 2 August 2019, 19 November 2019, 10 December 2019, 12 December 2019, 23 December 2019, 30 December 2019, 16 January 2020 and 18 February 2020 and the circular of the Company dated 11 December 2019.

(c) COVID-19 outbreak

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

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of Financial Position of the Company

	2019 RMB'million	2018 RMB'million
ASSETS		
Non-current assets		
Interests in subsidiaries	1,364	2,083
Amounts due from subsidiaries	6,292	–
	7,656	2,083
Current assets		
Other receivables, deposits and prepayments	5	6
Amounts due from subsidiaries	–	5,775
Restricted cash	3	–
Cash and cash equivalents	–	3
	8	5,784
Total Assets	7,664	7,867
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	1,285	803
Reserves (Note 39(b))	2,286	2,251
Total equity	3,571	3,054
LIABILITIES		
Non-current liabilities		
Bank and other borrowings	692	3,498
Other payables and accruals	8	–
	700	3,498
Current liabilities		
Other payables and accruals	50	198
Amounts due to a subsidiary	212	1
Bank and other borrowings	3,131	1,116
	3,393	1,315
Total liabilities	4,093	4,813
Total equity and liabilities	7,664	7,867

The statement of financial position of the Company was approved by the Board of Directors on 24 August 2020 and was signed on its behalf

Mr. Zhang Ping
Chairman

Mr. Lu Zhenwei
Director

NOTES TO THE FINANCIAL STATEMENTS

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the company

	Share premium RMB'million	Share-based payment reserve RMB'million	Shares held under EIS RMB'million	Convertible bonds equity reserve RMB'million	Warrant reserve RMB'million	Translation reserve RMB'million	Other reserve (Note) RMB'million	Accumulated losses RMB'million	Total RMB'million
At 1 January 2018	7,201	220	(73)	123	53	(120)	37	(4,877)	2,564
Comprehensive loss									
Loss for the year	–	–	–	–	–	–	–	(509)	(509)
Other comprehensive income/(loss)	–	–	–	–	–	154	–	–	154
Total comprehensive income/(loss)	–	–	–	–	–	154	–	(509)	(355)
Transactions with equity holders									
Redemption of convertible bonds	–	–	–	(123)	–	–	–	123	–
Lapse of share options	–	(5)	–	–	–	–	–	5	–
Share-based payment (Note 9)	–	42	–	–	–	–	–	–	42
	–	37	–	(123)	–	–	–	128	42
At 31 December 2018	7,201	257	(73)	–	53	34	37	(5,258)	2,251
At 1 January 2019	**7,201**	**257**	**(73)**	**–**	**53**	**34**	**37**	**(5,258)**	**2,251**
Comprehensive loss									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,084)**	**(1,084)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**120**	**–**	**–**	**120**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**120**	**–**	**(1,084)**	**(964)**
Transactions with equity holders									
Issue of shares through placements (Note 27)	**993**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**993**
Lapse of share options	**–**	**(37)**	**–**	**–**	**–**	**–**	**–**	**37**	**–**
Share-based payment (Note 9)	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**–**	**6**
	993	**(31)**	**–**	**–**	**–**	**–**	**–**	**37**	**999**
At 31 December 2019	**8,194**	**226**	**(73)**	**–**	**53**	**154**	**37**	**(6,305)**	**2,286**

Note: Amount mainly represented the contributed surplus of the Company, which is the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation during the year ended 31 March 2000.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders of the Company. However, a company cannot declare or pay dividends, or make a distribution out of contributed surplus, if: (1) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (2) the realisable value of the Company's assets would thereby be less than the aggregate of its issued share capital and share premium accounts.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

Results	For the years ended 31 December				
	2019	2018	2017	2016	2015
	RMB'million	RMB'million (Restated)	RMB'million	RMB'million	RMB'million
Continuing operations:					
– Sales of electricity	629	599	419	261	175
– Tariff adjustment	1,539	1,424	1,103	737	456
– Revenue	2,168	2,023	1,522	998	631
– EBITDA	1,920	1,700	1,198	848	480
(Loss)/profit for the year:					
From continuing operations	(3,499)	(469)	153	382	373
From discontinued operation	4	15	–	–	
	(3,495)	(454)	153	382	373

Assets and Liabilities	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Total assets	25,456	30,775	28,594	17,181	12,969
Total liabilities	(21,815)	(24,905)	(22,166)	(14,573)	(10,739)
	3,641	5,870	6,428	2,608	2,230

INFORMATION FOR INVESTORS

ANNOUNCEMENT OF ANNUAL RESULTS

25 August 2020

ANNUAL GENERAL MEETING

2 September 2020

INFORMATION ABOUT SHARES

Board Lot: 2,000 shares
Issued Shares as at 31 December 2019: 15,251,004,934 shares
Issued Shares as at 25 August 2020: 22,427,948,432 shares

STOCK CODE

Hong Kong Stock Exchange: 00686
Bloomberg: 686 HK
Reuters: 0686.HK

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