SFCE

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

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

INTERIM REPORT **2020**

WORLD'S LEADING
CLEAN ENERGY PROVIDER

LOW-CARBON & ENERGY-SAVING
INTEGRATED SOLUTIONS PROVIDER

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lu Bin

AUTHORIZED REPRESENTATIVES

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

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Garden Road, Central,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

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

AUDITOR

BDO Limited

LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

COMPANY WEBSITE

www.sfcegroup.com

STOCK CODE

01165

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

Solar Power Generation in the PRC

During the Period, the solar power plants in the PRC owned by the Group generated an aggregate of approximately 745,017MWh.

	For the six months ended 30 June		
	2020	2019	% of
	MWh	*MWh*	Change
Power generation volume in the PRC	**745,017**	915,059	(18.6%)

Upon completion of registration for share transfer of 11 target companies in respect of the 2019 Disposals (as defined below) during the Period, the Group's solar power plants realised a total installed capacity of on-grid generation of approximately 1.0 GW in the PRC as of 30 June 2020.

Manufacturing and sales of LED products

During the Period, the sales of LED chips, LED packages and other LED products within the Group's production business amounted to RMB221.8 million, as compared to RMB147.5 million for the corresponding period in 2019.

Geographical information

During the Period, the Group's top five customers represented approximately 56.65% of the Group's total revenue, as compared to approximately 51.67% for the corresponding period in 2019. The Group's largest customer accounted for approximately 16.02% of the Group's total revenue, as compared to approximately 18.04% for the same period in 2019. The largest customer is State Grid Gansu Electric Power Company, which is one of the state grid companies in the PRC to which the Company sells the electricity.

The Group's sales to PRC-based and overseas customers represented approximately 99.9% and 0.1% of the total revenue for the Period, respectively.

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB33.7 million, or 4.0%, from RMB835.7 million for the corresponding period in 2019 to RMB802.0 million for the Period, primarily due to that revenue from the 11 target companies in respect of the 2019 Disposals (as defined below) was recognized for six months in the first half of 2019 while revenue from the 11 target companies in respect of the 2019 Disposals was only recognized for a few months during the Period due to the completion of registration for share transfer of the relevant 11 target companies in respect of the 2019 Disposals in January, April and June 2020, respectively.

Further, the solar power plants of the Group which are located in certain provinces or regions in the PRC were affected by the influence of curtailment on energy generation during the Period, resulting in a decrease in power generation. As a result, the revenue from power generation in the PRC of the Group decreased by approximately RMB50.0 million and the power generation volume also recorded an estimated loss of approximately 60,000MWh.

For the Period, revenue from solar power generation in the PRC accounted for 72.3% of the total revenue, while manufacturing and sales of LED products accounted for 27.7%

Solar power generation in the PRC

Revenue from solar power generation decreased by RMB107.8 million, or 15.7%, from RMB688.1 million for the corresponding period in 2019 to RMB580.3 million for the Period, primarily because of a decrease of 18.6% or 170,042MWh in the amount of power generated for which revenue was recognised. The amount of power generated recorded 915,059MWh in the corresponding period in 2019, while 745,017MWh was recorded as the amount of power generated for the Period.

LED products

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB74.3 million, or 50.4%, from RMB147.5 million for the corresponding period in 2019 to RMB221.8 million for the Period.

Cost of sales

Cost of sales decreased by RMB60.7 million, or 13.3%, from RMB457.7 million for the corresponding period in 2019 to RMB397.0 million for the Period, primarily because no depreciation of the 11 target companies in respect of the 2019 Disposals was recorded during the Period due to the fact that assets of each of the 11 target companies in respect of the 2019 Disposals were classified as held for sale as of 31 December 2019.

Gross profit

Gross profit increased by RMB27.1 million, or 7.2%, from RMB377.9 million for the corresponding period in 2019 to RMB405.0 million for the Period.

Other income

Other income decreased by RMB17.3 million, or 33.0%, from RMB52.4 million for the corresponding period in 2019 to RMB35.1 million for the Period, primarily due to that (i) the income from government grants decreased by RMB8.6 million, or 35.5%, from RMB24.2 million for the corresponding period in 2019 to RMB15.6 million for the Period; and (ii) the imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets decreased by RMB9.7 million, or 37.0%, from RMB26.2 million for the corresponding period in 2019 to RMB16.5 million for the Period.

Other gains and losses

Other gains and losses increased by RMB225.6 million, or 259.6%, from a loss of RMB86.9 million for the corresponding period in 2019 to a loss of RMB312.5 million for the Period, which was primarily due to the fact that an impairment loss of RMB214.4 million was recognised on assets classified as held for sale for the Period, while there was no such impairment loss recognized for the corresponding period in 2019.

Distribution and selling expenses

Distribution and selling expenses increased by RMB0.5 million, or 12.5%, from RMB4.0 million for the corresponding period in 2019 to RMB4.5 million for the Period.

Administrative expenses

Administrative and general expenses decreased by RMB14.5 million, or 16.3%, from RMB89.0 million for the corresponding period in 2019 to RMB74.5 million for the Period.

Research and development expenditure

Research and development expenses increased by RMB4.0 million, or 18.3%, from RMB21.9million for the corresponding period in 2019 to RMB25.9 million for the Period, primarily due to the increase in the expenses on research and development investment and related costs.

Share of profit of associates

Share of profit of associates for the Period decreased by RMB0.04 million, or 3.5%, from RMB1.13 million for the same period in 2019 to RMB1.09 million for the Period.

Finance costs

Finance costs decreased by RMB131.9 million, or 22.4%, from RMB588.2 million for the corresponding period in 2019 to RMB456.3 million for the Period, primarily due to the decrease in effective interest on convertible bonds by RMB111.4 million, or 78.8%, from RMB141.4 million for the same period in 2019 to RMB30.0 million for the Period.

Loss before tax

Due to the above reasons, loss before tax increased by RMB182.3 million from RMB283.6 million for the corresponding period in 2019 to RMB465.9 million for the Period.

Income tax expense

Income tax expense decreased by RMB3.6 million, or 57.1%, from RMB6.3 million for the corresponding period in 2019 to RMB2.7 million for the Period, primarily due to the decrease in current tax expense for the Period.

Loss for the Period

As a result of the reasons stated above, the loss for the Period increased by RMB222.1 million from RMB246.5 million for the corresponding period in 2019 to RMB468.6 million for the Period.

Inventory turnover days

The inventories of the Group mainly comprise raw materials, work-in-progress and finished goods. The decrease in inventories was mainly due to an increase in demand for the Group's LED products. Included in the inventory balance as at 30 June 2020 was an allowance of inventories of RMB55.5 million (31 December 2019: RMB68.6 million), which was mainly attributable to inventories bought in previous years at higher prices. The inventory turnover days as at 30 June 2020 was 122.9 days (31 December 2019: 144.8 days), and the decrease in inventory turnover days was mainly due to the decrease in the inventories of LED products as of 30 June 2020.

Trade receivables turnover days

The trade receivables turnover days as at 30 June 2020 was 326.5 days (31 December 2019: 364.3 days). The decrease in turnover days was primarily due to the reduction of overseas customers and part of the tariff subsidies to be received by the Group. The trade receivables turnover days as at 30 June 2020 was still within the credit period (normally 30 to 180 days) which the Group granted to its customers.

Trade payables turnover days

The trade payables turnover days as at 30 June 2020 was 154.0 days (31 December 2019: 129.8 days). Given the established business relationship and the change in the overall market environment, the Group paid to the suppliers in due course based on the credit terms during the Period.

Indebtedness, liquidity, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and other borrowings. As at 30 June 2020, the Group's current ratio (current assets divided by current liabilities) was 0.57 (31 December 2019: 0.62) and it was in a negative net cash position.

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital. As at 30 June 2020, the Group was in a negative net cash position of RMB7,937.2 million (31 December 2019: a negative net cash position of RMB8,563.7 million), which included cash and cash equivalents of RMB163.8 million (31 December 2019: RMB89.7 million), bank and other borrowings of RMB6,760.8 million (31 December 2019: RMB7,327.2 million), convertible bonds of RMB514.5 million (31 December 2019: RMB501.4 million) and bonds payable of RMB825.7 million (31 December 2019: RMB824.8 million).

The Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 1,470.5% as at 31 December 2019 to 6,844.8% as at 30 June 2020.

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

Contingent liabilities and guarantees

As at 30 June 2020, the Group provided guarantees to independent third parties and a joint venture with a total amount of RMB289.2 million (31 December 2019: RMB307.1 million), of which RMB194.2 million (31 December 2019: RMB177.1 million) was provided for and recognised as provision in the statement of financial position. As at 30 June 2020, save as disclosed above, the Group had no significant contingent liabilities.

Charges on the Group's assets

At the end of the reporting period, save as restricted bank deposits and the leased asset (i.e., machineries) under lease liabilities (2019: obligation under lease liabilities), the Group had pledged its 59% of equity interest in Lattice Power Group (2019: 59% of equity interest in Lattice Power Group). Meanwhile, in respect of 34 (2019: 40) subsidiaries of the Group which operated solar power generation, their entire equity interests and related assets were also pledged in order to obtain bank and other borrowings.

As at 30 June 2020, the Group had pledged certain trade and other receivables with a carrying amount of RMB2,002.6 million (31 December 2019: RMB2,466.0 million) and solar power plants with a carrying amount of RMB814.9 million (31 December 2019: RMB1,708.3 million) to various banks and other financial institutions for securing loans and general credit facilities granted to the Group. As at 30 June 2020, the Group had pledged property, plant and equipment, right-of-use assets and other deposits included in other non-current assets with a carrying amount of RMB4,150.0 million (31 December 2019: RMB6,727.3 million).

As at 30 June 2020, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB26.5 million (31 December 2019: RMB67.9 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 30 June 2020 and 31 December 2019, none of the other assets of the Group was pledged in favour of any financial institution.

Exposure to the fluctuation in exchange rates

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

Significant investments held and material acquisitions or disposals

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

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

The shareholders' approval was obtained on 17 January 2020. The registration of share transfer of the 11 Target companies was completed during the Period.

As disclosed in the announcement of the Company dated 18 March 2020 and the circular of the Company dated 15 June 2020, Jiangxi Shunfeng Photovoltaic Investment Co., Ltd* (江西順風光電投資有限公司) and Shanghai Shunneng Investment Co., Ltd* (上海順能投資有限公司), the indirectly wholly-owned subsidiaries of the Company, entered into 6 sale and purchase agreements (the "2020 Disposal Sale and Purchase Agreements") with Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司) on 16 March 2020, pursuant to which Jiangxi Shunfeng Photovoltaic Investment Co., Ltd and Shanghai Shunneng Investment Co., Ltd agreed to sell 100% of the equity interest in Akesu Datang New Energy Co., Ltd.* (阿克蘇大唐新能源有限公司), Yuepuhu Gaoke New Energy Power Generation Co., Ltd.* (岳普湖高科新能源發電有限公司), Heshuo Hengxin New Energy Technology Co., Ltd.* (和碩恒鑫新能源科技有限公司), Tulufan Lianxing New Energy Co., Ltd.* (吐魯番聯星新能源有限公司), Wensu Riyuehui New Energy Co., Ltd.* (溫宿縣日月輝新能源有限公司), and Hejing Yixin New Energy Technology Co., Ltd.* (和靜益鑫新能源科技有限公司) at an aggregate consideration of RMB181,139,954.86 (the "2020 Disposals").

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

The shareholders' approval was obtained on 2 July 2020. The registration of share transfer of the 6 target companies was completed in July 2020.

Human resources

As at 30 June 2020, the Group had 1,016 employees. The remuneration packages for the current employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Interim dividend

The Board has resolved not to declare an interim dividend during the Period.

Events subsequent to the Period

Reference is made to the circular of the Company dated 15 June 2020 and the poll results announcement of the Company dated 2 July 2020, an extraordinary general meeting was held on 2 July 2020 in relation to the 2020 Disposals and the 2020 Disposals were duly passed as ordinary resolutions.

Reference is made to the announcement of the Company dated 30 July 2020, Deloitte Touche Tohmatsu ("Deloitte") resigned as the auditor of the Company with effect from 30 July 2020, due to the professional risk associated with the multiple uncertainties exist relating to going concern of the Group and the level of audit fees. The Board believes that in order to maintain the independence and objectivity of the auditor and to uphold good corporate governance, it is an appropriate time to change the then auditor of the Company, Deloitte, which had been holding its office for around nine years since 2011. The Board has resolved, having regard to the recommendation from the Audit Committee to approve the appointment of BDO Limited ("BDO") with effect from 30 July 2020 as the new auditor of the Company, to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company. Pursuant to Article 155 of the articles of association of the Company, the Board has the power to fill any casual vacancy in the office of auditor. Accordingly, no extraordinary general meeting was held for such purpose. For further details, please refer to the announcement of the Company dated 30 July 2020.

Reference is made to the announcement dated 11 August 2020 by the Company, Bank of China (Hong Kong) Limited ("Bank of China") (as the landlord) entered into the property leasing agreement ("Property Leasing Agreement") with Shunfeng Photovoltaic Holdings Limited ("Shunfeng Holdings", a directly wholly-owned subsidiary of the Company), Tiancheng International Auctioneer Limited ("Tiancheng International") and Asia Pacific Resources Development Investment Limited ("Asia Pacific Resources") (collectively as the Tenants). Pursuant to the Property Leasing Agreement, (i) Bank of China shall lease to the Tenants the premises located on 30/F Bank of China Tower, 1 Garden Road, Central, Hong Kong for a term of three years commencing on 15 February 2020 and expiring on 14 February 2023 (both days inclusive) for the purpose of business administration of the Tenants; (ii) Bank of China shall let and Shunfeng Holdings shall take 2,616 square feet of net lettable premises area, representing approximately 16.66% of the total net lettable premises area under the Property Leasing Agreement; and (iii) Shunfeng Holdings shall pay to Tiancheng International the rent, government rates, service and utility charges on a monthly basis, and Tiancheng International shall pay the relevant fees to Bank of China. The payment arrangement between Shunfeng Holdings and Tiancheng International is necessary for the administrative convenience in respect of the collection of the relevant fees by Bank of China and such arrangement has been in place in respect of the previous property leasing agreement entered into between Bank of China (as the landlord) and Shunfeng Holdings, Tiancheng International, and Asia Pacific Resources (collectively as the tenants) on 2 March 2017. For further details, please refer to the announcement of the Company dated 11 August 2020.

FUTURE PROSPECT

Following completion of the 2019 Disposals and the 2020 Disposals, the Group will focus on (i) the solar power businesses in the PRC including the development and management of solar power plants and manufacturing related equipment; and (ii) the LED manufacturing and sales business.

The Group is also actively considering other ways to raise funds for the Group, including but not limited to alternative refinancing, extension of maturity dates of debts and/or further disposal of solar power plants, if appropriate, (the "Proposed Plans"). Once the Proposed Plans are fully or partly implemented, they are expected to strengthen the financial stability and shareholding and asset structure of the Group and support its long term strategic development. Any Proposed Plan will be subject to compliance with the Listing Rules and, if applicable, the approval of the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

COMPLIANCE WITH THE MODEL CODE

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

REVIEW OF INTERIM FINANCIAL INFORMATION

The audit committee of the Company has reviewed and agreed with the management on the accounting principles, treatment and practices adopted by the Group and discussed the internal controls and financial reporting matters, including the review of the interim results and the unaudited condensed consolidated interim financial statements for the Period, which have been reviewed by independent auditor in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board, with the Directors. The audit committee of the Company considered that the interim financial statements for the Period are in compliance with the relevant accounting standards, the requirements of the Hong Kong Stock Exchange and the laws of Hong Kong, and the Company has made appropriate disclosure thereof.

EXTRACT FROM THE REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the review report on the Group's unaudited interim condensed consolidated financial statements for the Period:

'Basis for Disclaimer of Conclusion

1. Multiple Uncertainties Related to Going Concern

As set out in Note 1 to the interim condensed consolidated financial statements, the Group incurred a net loss of RMB468,580,000 during the six months ended 30 June 2020. As at 30 June 2020, the Group's equity attributable to owners of the Company had a deficit of RMB1,393,810,000 and the Group's current liabilities exceeded its current assets by RMB4,456,179,000. The Group maintained cash and cash equivalents of RMB163,772,000 as at 30 June 2020.

As set out in Note 25 to the interim condensed consolidated financial statements, the Group's bank and other borrowings amounted to RMB6,760,784,000 as at 30 June 2020, out of which RMB1,566,733,000 were overdue and become immediately repayable as at 30 June 2020. The overdue amount increased to RMB1,988,453,000 on the date of approval of these interim condensed consolidated financial statements. As at 30 June 2020, bank and other borrowings of RMB1,856,484,000 did not meet certain loan covenants in the relevant borrowing agreements and become immediately repayable as of that date.

In addition, as set out in Note 28 to the interim condensed consolidated financial statements, the 2015 Corporate Bond, including the outstanding principal of RMB550,000,000 and unpaid interest of RMB70,403,000 as at 30 June 2020 have been overdue.

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

In order to enable the Group to meet with its immediate financing needs, the Group continues to implement a series of plans and measures which comprise, inter alia, (i) progressing the collection of the remaining proceeds from the disposal of the 11 Target Companies (as defined in Note 18 to the interim condensed consolidated financial statements) and the disposal of 6 Target Companies (as defined in Note 18 to the interim condensed consolidated financial statements); (ii) proceeding with the Possible Disposals of Further Solar Power Plants (as defined in Note 1 to the interim condensed consolidated financial statements); and (iii) continuing to negotiate with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the relevant debts.

The details of the plans and measures have been set out in Note 1 to the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the plans and measures as detailed in Note 1 to the interim condensed consolidated financial statements, as well as the potential negative impact as a result of the recent outbreak of the novel coronavirus disease (COVID-19), which are also subject to multiple uncertainties, including:

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

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

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

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

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

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

(vii) whether the Group is able to seek for other financing resources (including but not limited to advances from its shareholders and/or from those entities owned and controlled by the shareholders) and whether the shareholders and/or those entities owned and controlled by the shareholders are financially viable to provide finance to the Group as to enable the Group to have adequate working capital in the next twelve months and to repay the matured and maturing debts from time to time.

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

The predecessor auditor did not express an opinion on the Company's consolidated financial statements for the year ended 31 December 2019 (the "2019 consolidated financial statements") due to multiple uncertainties relating to going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 December 2019 would affect the balances of these financial statements items as at 1 January 2020 and the corresponding movements, if any, during the six-month period ended 30 June 2020. The balances as at 31 December 2019 are presented as corresponding figures in the condensed consolidated statement of financial position as at 30 June 2020. We disclaimed our review conclusion on the interim condensed consolidated financial statements for the possible effect of the disclaimer of audit opinion on 2019 consolidated financial statements on the comparability of related 2020 figures and 2019 figures in the condensed consolidated statement of position as at 30 June 2020 and the related disclosures.

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

On 15 November 2019, the Company entered into 11 sale and purchase agreements with an independent third party to dispose of its 100% equity interest in the 11 Target Companies. As detailed in Note 18 to the interim condensed consolidated financial statements, the disposal has not been completed as at 31 December 2019, and the assets and liabilities of the 11 Target Companies were classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively. As disclosed in Note 30 to the interim condensed consolidated financial statements, the disposal of the 11 Target Companies have been completed during the six-month period ended 30 June 2020. The financial performance of the 11 Target Companies for the period from 1 January 2020 to the respective disposal dates and disposal of the 11 Target Companies included in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six-month ended 30 June 2020 amounted to a profit of RMB45 million and loss on disposal of RMB32 million respectively.

We were engaged to review the interim condensed consolidated financial statements after the completion of the disposal of the 11 Target Companies. As a result, we were unable to perform review procedures that we considered necessary and determine whether any adjustments might be necessary in respect of (i) the carrying amounts of "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" as at 1 January 2020 and the respective dates of disposal of the 11 Target Companies; and (ii) the income and expenses of the 11 Target Companies for the period from 1 January 2020 to the respective dates of disposal. Any adjustments in respect of the above amounts found necessary would have a consequential effect on the (i) financial performance of the 11 Target Companies for the six-month period ended 30 June 2020, (ii) the loss on disposal of the 11 Target Companies; and (iii) the related disclosures of (i) and (ii) in these interim condensed consolidated financial statements.

Disclaimer of Conclusion

Due to the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on these interim condensed consolidated financial statements and because we have not been able to obtain sufficient appropriate evidence as described in the "Basis for Disclaimer of Conclusion" paragraphs above, we do not express a conclusion on these interim condensed consolidated financial statements.'

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code were as follows:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Mr. Wang Yu	Beneficial owner	18,691,588 (long position)	0.38%

Note:

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2020, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVE

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

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

As at 30 June 2020, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

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

Notes:

1. Peace Link Services Limited is wholly owned by Faithsmart Limited which is in turn wholly owned by Mr. Cheng Kin Ming. As at 30 June 2020, 1,085,028,449 Shares were allotted and issued to Peace Link Services Limited upon the exercise in full of the conversion rights attaching to the convertible bonds subscribed by Peace Link Services Limited pursuant to the subscription agreement dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into with the Company. Peace Link Services Limited held 1,402,774,101 shares in its personal capacity.

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

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

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

5. Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited and, therefore, Faithsmart Limited is deemed to be interested in 75,557,191 Shares held by Asia Pacific Resources Development Investment Limited and 3,144,049,545 Shares held by Peace Link Services Limited for the purpose of the SFO.

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

Save as the disclosed above, to the best knowledge of the Directors, as at 30 June 2020, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

PUBLICATION OF INTERIM REPORT

This interim report containing the relevant information required by the Listing Rules is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (http://www.sfcegroup.com).

By Order of the Board
Wang Yu
Chairman
Hong Kong

29 September 2020

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We were engaged to review the interim condensed consolidated financial statements set out on pages 25 to 107, which comprise the condensed consolidated statement of financial position of Shunfeng International Clean Energy Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Due to the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on these interim condensed consolidated financial statements and because we have not been able to obtain sufficient appropriate evidence as described in the "Basis for Disclaimer of Conclusion" paragraphs, we were not able to express a conclusion on the interim condensed consolidated financial statements.

BASIS FOR DISCLAIMER OF CONCLUSION

1. Multiple Uncertainties Related to Going Concern

As set out in Note 1 to the interim condensed consolidated financial statements, the Group incurred a net loss of RMB468,580,000 during the six months ended 30 June 2020. As at 30 June 2020, the Group's equity attributable to owners of the Company had a deficit of RMB1,393,810,000 and the Group's current liabilities exceeded its current assets by RMB4,456,179,000. The Group maintained cash and cash equivalents of RMB163,772,000 as at 30 June 2020.

As set out in Note 25 to the interim condensed consolidated financial statements, the Group's bank and other borrowings amounted to RMB6,760,784,000 as at 30 June 2020, out of which RMB1,566,733,000 were overdue and become immediately repayable as at 30 June 2020. The overdue amount increased to RMB1,988,453,000 on the date of approval of these interim condensed consolidated financial statements. As at 30 June 2020, bank and other borrowings of RMB1,856,484,000 did not meet certain loan covenants in the relevant borrowing agreements and become immediately repayable as of that date.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BASIS FOR DISCLAIMER OF CONCLUSION (Continued)

1. Multiple Uncertainties Related to Going Concern (Continued)

In addition, as set out in Note 28 to the interim condensed consolidated financial statements, the 2015 Corporate Bond, including the outstanding principal of RMB550,000,000 and unpaid interest of RMB70,403,000 as at 30 June 2020 have been overdue.

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

In order to enable the Group to meet with its immediate financing needs, the Group continues to implement a series of plans and measures which comprise, inter alia, (i) progressing the collection of the remaining proceeds from the disposal of the 11 Target Companies (as defined in Note 18 to the interim condensed consolidated financial statements) and the disposal of 6 Target Companies (as defined in Note 18 to the interim condensed consolidated financial statements); (ii) proceeding with the Possible Disposals of Further Solar Power Plants (as defined in Note 1 to the interim condensed consolidated financial statements); and (iii) continuing to negotiate with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the relevant debts.

The details of the plans and measures have been set out in Note 1 to the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the plans and measures as detailed in Note 1 to the interim condensed consolidated financial statements, as well as the potential negative impact as a result of the recent outbreak of the novel coronavirus disease (COVID-19), which are also subject to multiple uncertainties, including:

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

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

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

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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BASIS FOR DISCLAIMER OF CONCLUSION (Continued)

1. Multiple Uncertainties Related to Going Concern (Continued)

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

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

(vii) whether the Group is able to seek for other financing resources (including but not limited to advances from its shareholders and/or from those entities owned and controlled by the shareholders) and whether the shareholders and/or those entities owned and controlled by the shareholders are financially viable to provide finance to the Group so as to enable the Group to have adequate working capital in the next twelve months and to repay the matured and maturing debts from time to time.

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

The predecessor auditor did not express an opinion on the Company's consolidated financial statements for the year ended 31 December 2019 (the "2019 consolidated financial statements") due to multiple uncertainties relating to going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 December 2019 would affect the balances of these financial statements items as at 1 January 2020 and the corresponding movements, if any, during the six-month period ended 30 June 2020. The balances as at 31 December 2019 are presented as corresponding figures in the condensed consolidated statement of financial position as at 30 June 2020. We disclaimed our review conclusion on the interim condensed consolidated financial statements for the possible effect of the disclaimer of audit opinion on 2019 consolidated financial statements on the comparability of related 2020 figures and 2019 figures in the condensed consolidated statement of position as at 30 June 2020 and the related disclosures.

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

On 15 November 2019, the Company entered into 11 sale and purchase agreements with an independent third party to dispose of its 100% equity interest in the 11 Target Companies. As detailed in Note 18 to the interim condensed consolidated financial statements, the disposal has not been completed as at 31 December 2019, and the assets and liabilities of the 11 Target Companies were classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively. As disclosed in Note 30 to the interim condensed consolidated financial statements, the disposal of the 11 Target Companies have been completed during the six-month period ended 30 June 2020. The financial performance of the 11 Target Companies for the period from 1 January 2020 to the respective disposal dates and disposal of the 11 Target Companies included in the condensed consolidated statement of profit or loss and other comprehensive income for the six-month ended 30 June 2020 amounted to a profit of RMB45 million and loss on disposal of RMB32 million respectively.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BASIS FOR DISCLAIMER OF CONCLUSION (Continued)

2. Limitation of scope of work on disposal of 11 Target Companies (Continued)

We were engaged to review the interim condensed consolidated financial statements after the completion of the disposal of the 11 Target Companies. As a result, we were unable to perform review procedures that we considered necessary and determine whether any adjustments might be necessary in respect of (i) the carrying amounts of "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" as at 1 January 2020 and the respective dates of disposal of the 11 Target Companies; and (ii) the income and expenses of the 11 Target Companies for the period from 1 January 2020 to the respective dates of disposal. Any adjustments in respect of the above amounts found necessary would have a consequential effect on the (i) financial performance of the 11 Target Companies for the six-month period ended 30 June 2020, (ii) the loss on disposal of the 11 Target Companies; and (iii) the related disclosures of (i) and (ii) in these interim condensed consolidated financial statements.

OTHER MATTER

The 2019 consolidated financial statements were audited by another auditor who expressed a disclaimer of opinion on those statements on 29 April 2020. The interim condensed consolidated financial statements for the six-month period ended 30 June 2019 were reviewed in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by another auditor who expressed an unmodified conclusion with a material uncertainty related to going concern paragraph on those statements on 29 August 2019.

DISCLAIMER OF CONCLUSION

Due to the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on these interim condensed consolidated financial statements and because we have not been able to obtain sufficient appropriate evidence as described in the "Basis for Disclaimer of Conclusion" paragraphs above, we do not express a conclusion on these interim condensed consolidated financial statements.

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 31 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Re-presented) (Unaudited)
Continuing operations			
Revenue	4	**802,020**	835,652
Cost of sales		**(396,993)**	(457,732)
Gross profit		**405,027**	377,920
Other income	6	**35,067**	52,370
Other gains and losses	7	**(312,502)**	(86,882)
Impairment losses under expected credit loss model, net of reversal	8	**(33,345)**	75,150
Distribution and selling expenses		**(4,483)**	(4,047)
Administrative expenses		**(74,515)**	(89,035)
Research and development expenditure		**(25,897)**	(21,920)
Share of profit of associates		**1,090**	1,125
Finance costs	9	**(456,340)**	(588,245)
Loss before tax	10	**(465,898)**	(283,564)
Income tax expense	12	**(2,682)**	(6,274)
Loss for the period from continuing operations		**(468,580)**	(289,838)
Discontinued operations	11		
Profit for the period from discontinued operations		**—**	43,294
Loss for the period		**(468,580)**	(246,544)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of associates and joint ventures		**—**	(1,111)
Exchange differences on translating foreign operations		**222**	(170)
Fair value gain on receivables at fair value through other comprehensive income ("FVTOCI")		**78**	1,320
Other comprehensive income for the period		**300**	39
Total comprehensive income for the period		**(468,280)**	(246,505)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2020

	NOTE	Six months ended 30 June 2020 RMB'000 (Unaudited)	 2019 RMB'000 (Re-presented) (Unaudited)
(Loss)/Profit for the period attributable to owners of the Company			
— from continuing operations		(491,559)	(293,693)
— from discontinued operations		—	43,294
Loss for the period attributable to owners of the Company		(491,559)	(250,399)
Profit for the period attributable to non-controlling interests			
— from continuing operations		22,979	3,855
Total comprehensive income for the period attributable to:			
Owners of the Company		(491,401)	(250,345)
Non-controlling interests		23,121	3,840
		(468,280)	(246,505)
From continuing and discontinued operations	14	RMB cents	RMB cents
Loss per share			
— Basic		9.87	5.03
— Diluted		9.87	5.03
From continuing operations	14	RMB cents	RMB cents
Loss per share			
— Basic		9.87	5.89
— Diluted		9.87	5.89

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	15	**227,490**	232,383
Right-of-use assets	16	**154,970**	203,496
Solar power plants	17	**5,602,819**	6,782,957
Intangible assets		**2,606**	2,816
Interests in associates		**33,225**	32,135
Interests in joint ventures		**—**	—
Financial assets at fair value through profit or loss ("FVTPL")		**3,096**	3,096
Other non-current assets		**131,068**	106,238
Value-added tax recoverable — non-current		**388,703**	440,007
Contract assets — non-current	20	**364,294**	310,394
		6,908,271	8,113,522
Current assets			
Inventories		**87,930**	92,150
Trade and other receivables	19	**2,534,484**	1,747,976
Receivables at FVTOCI		**15,812**	17,069
Value-added tax recoverable		**84,715**	84,534
Prepayments to suppliers		**16,698**	18,890
Amounts due from the related parties	21	**1,767,525**	2,004,413
Restricted bank deposits		**26,534**	67,856
Bank balances and cash		**163,772**	89,703
		4,697,470	4,122,591
Assets classified as held for sale	18	**1,164,548**	3,896,381
		5,862,018	8,018,972
Current liabilities			
Trade and other payables	22	**2,015,004**	2,001,291
Contract liabilities		**10,805**	12,510
Amounts due to the related parties	23	**1,637,493**	2,224,930
Lease liabilities		**13,883**	19,940
Provisions	24	**194,178**	177,100
Tax liabilities		**4,971**	5,565
Bank and other borrowings	25	**4,918,837**	5,097,942
Derivative financial liabilities	26	**4,785**	6,078
Convertible bonds	27	**37,376**	37,376
Bond payables	28	**825,709**	824,778
		9,663,041	10,407,510
Liabilities associated with assets classified as held for sale	18	**655,156**	2,429,815
		10,318,197	12,837,325

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Net current liabilities		**(4,456,179)**	(4,818,353)
Total assets less current liabilities		**2,452,092**	3,295,169
Capital and reserves			
Share capital	29	**40,756**	40,756
Reserves		**(1,434,566)**	(909,856)
Equity attributable to owners of the Company		**(1,393,810)**	(869,100)
Non-controlling interests		**1,510,163**	1,453,733
Total equity		**116,353**	584,633
Non-current liabilities			
Deferred tax liabilities		**3,603**	3,652
Bank and other borrowings	25	**1,841,947**	2,229,301
Lease liabilities		**13,100**	13,544
Convertible bonds	27	**477,089**	464,039
		2,335,739	2,710,536
		2,452,092	3,295,169

The interim condensed consolidated financial statements on pages 25 to 107 were approved and authorised for issue by the board of directors on 31 August 2020 and are signed on its behalf by:

DIRECTOR	*DIRECTOR*
Wang Yu	**Lu Bin**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	FVTOCI reserve RMB'000	Exchange reserve RMB'000	Convertible bonds equity reserve RMB'000 (Note b)	Share-based payment reserve RMB'000 (Note c)	Statutory surplus reserve RMB'000 (Note d)	Accumulated deficits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019 (Audited)	40,756	6,076,424	(1,070,422)	(1,586)	48,867	2,030,490	113,460	30,744	(5,005,936)	2,262,797	1,384,425	3,647,222
(Loss)/Profit for the period	–	–	–	–	–	–	–	–	(250,399)	(250,399)	3,855	(246,544)
Other comprehensive income for the period	–	–	–	1,320	(1,266)	–	–	–	–	54	(15)	39
Total comprehensive income for the period	–	–	–	1,320	(1,266)	–	–	–	(250,399)	(250,345)	3,840	(246,505)
Recognition of share-based payment of Lattice Power Group	–	–	–	–	–	–	5,909	–	–	5,909	4,025	9,934
Impact upon maturity of the Fourth CB (as defined in Note 27(d)) (Note f)	–	–	–	–	–	(329,922)	–	–	329,922	–	–	–
Transfer of profit for the period in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (Note e)	–	–	–	–	–	–	–	–	(32,906)	(32,906)	32,906	–
At 30 June 2019 (Unaudited)	40,756	6,076,424	(1,070,422)	(266)	47,601	1,700,568	119,369	30,744	(4,959,319)	1,985,455	1,425,196	3,410,651
At 1 January 2020 (Audited)	40,756	6,076,424	(2,209,091)	(412)	5,169	879,850	119,369	–	(5,781,165)	(869,100)	1,453,733	584,633
(Loss)/Profit for the period	–	–	–	–	–	–	–	–	(491,559)	(491,559)	22,979	(468,580)
Other comprehensive income for the period	–	–	–	112	46	–	–	–	–	158	142	300
Total comprehensive income for the period	–	–	–	112	46	–	–	–	(491,559)	(491,401)	23,121	(468,280)
Transfer of profit for the period in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (Note e)	–	–	–	–	–	–	–	–	(33,309)	(33,309)	33,309	–
At 30 June 2020 (Unaudited)	40,756	6,076,424	(2,209,091)	(300)	5,215	879,850	119,369	–	(6,306,033)	(1,393,810)	1,510,163	116,353

Notes:

a. Special reserve mainly include:

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

ii. the carrying amount of the Group's interest in relation to Jiangsu Changshun and Nine Disposal Entities in respect of the Group's 2015 Proposed Disposal transaction as detailed in Note 3B(i)(e) as at 18 December 2015 to non-controlling interests as to reflect the transfer of their equity interests to Chongqing Future completed on 18 December 2015.

As set out in Note 3B(i)(e), a Termination Agreement was entered into to terminate the 2015 Proposed Disposal with immediate effect on 21 June 2016. As at 30 June 2020, the entire equity interest of Jiangsu Changshun has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities kept being accounted for as non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2020

Notes: (Continued)

a. Special reserve mainly include: (Continued)

iii. On 30 September 2019, the Group completed the disposal of the Disposal Group (as defined in Note 11). RMB1,797,661,000 was debited to special reserve, representing the excess of the carrying amount of net assets disposed of over the consideration, which was considered as a deemed distribution made to the owner of the Company, since Asia Pacific Resources Development Investment Limited ("Asia Pacific Resources") is an indirect wholly-owned and controlled by Mr. Cheng, a substantial shareholder of the Company, constituting transaction with owner in its capacity as owner.

iv. During the year ended 31 December 2019, Peace Link Services Limited ("Peace Link"), one of the bondholders and a company beneficially owned by Mr. Cheng, has entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link, conditional upon completion of the disposal of the Disposal Group, agreed to waive the repayment and redemption obligations of the Company in respect of principal amount of HKD1,948,000,000 (equivalent to RMB1,546,032,000) of the Third CB (as defined in Note 27(c)) held by Peace Link for no consideration. The Third CB originally will be matured on 15 April 2024. The waiver of the Third CB had became effective since 14 October 2019.

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

b. Convertible bonds equity reserve represents the value of the equity conversion component of the convertible bonds as set out in Note 27.

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

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

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

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

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

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

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

e. Profit for the period related to Jiangsu Changshun and the Nine Disposal Entities consolidated to the Group was transferred from the Group's accumulated deficits to non-controlling interests. Although the 2015 Proposed Disposal had been terminated on 31 December 2016, the legal ownership of Jiangsu Changshun and the Nine Disposal Entities was still kept by Chongqing Future and had not yet been transferred back to the Group and in the opinion of the directors of the Company, the related profit for both periods should also be accounted for as "non-controlling interests" as at 30 June 2020 and 2019, accordingly.

f. The Fourth CB was matured on 15 June 2019, the outstanding principal balance and interest payable totalling RMB703,071,000 had become immediately repayable, with the corresponding convertible bonds equity reserve of RMB329,922,000 had been reclassified to the accumulated deficits upon maturity. Details of Fourth CB were set out in Note 27(d).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash (used in)/from operating activities	**(199,818)**	794,982
Investing activities		
Withdrawal of restricted bank deposits	**48,285**	758,080
Receipt from government grants	**25,655**	831
Bank interest income received	**1,144**	9,683
Payments of leasehold lands	**—**	(23,408)
Capital contribution to joint ventures	**—**	(24,137)
Loan advanced to independent third parties	**(829)**	(170,548)
Loan repayment from independent third parties	**356**	10,590
Placement of restricted bank deposits	**(6,963)**	(649,687)
Payments of property, plant and equipment	**(12,636)**	(128,523)
Payment for construction cost in respect of solar power plants	**(61,347)**	(77,671)
Purchases of intangible assets	**(35)**	(238)
Proceeds on disposal of property, plant and equipment (Note 15)	**5,423**	24,274
Dividend received from associates	**—**	490
Dividend received from a joint venture	**—**	71,800
Receipt of consideration receivable in respect of subsidiaries previously disposed	**—**	8,707
Receipt of consideration receivable in respect of 11 Target Companies disposed of during the period	**399,811**	—
Net cash from/(used in) investing activities	**398,864**	(189,757)
Financing activities		
New bank and other borrowings raised	**62,929**	711,434
Repayment of bank and other borrowings	**(129,351)**	(829,431)
Interest paid for bank and other borrowings	**(57,716)**	(334,397)
Interest paid for bond payables	**—**	(11,463)
Interest paid for convertible bonds	**—**	(15,294)
Repayment of lease liabilities	**(3,029)**	(21,375)
Interest paid for consideration received in advanced in respect the 2015 Proposed Disposal (as defined in Note in Note 3B(i)(e))	**—**	(1,524)
Repayment of bond payables	**—**	(8,537)
Repayment of convertible bonds	**—**	(217,694)
Advance from independent third parties	**5,331**	25,600
Repayment to independent third parties	**(968)**	(76,300)
Net cash used in financing activities	**(122,804)**	(778,981)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net increase/(decrease) in cash and cash equivalents	**76,242**	(173,756)
Cash and cash equivalents at beginning of the period	**89,703**	754,586
Bank balance of 6 Target Companies eliminated upon transfer to assets classified as held for sale	**(2,312)**	—
Effect of exchange rate change for the period	**139**	235
Cash and cash equivalents at end of the period, represented by bank balances and cash	**163,772**	581,065

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The directors of the Company have given careful consideration to the going concern of the Group in light of the fact that the Group reported as at 30 June 2020. As at 30 June 2020, the Group's equity attributable to owners of the Company was a deficit of RMB1,393,810,000 and the Group's the current liabilities exceeded its current assets by RMB4,456,179,000. However, the Group maintained cash and cash equivalents of RMB163,772,000 only as at 30 June 2020.

As set out in Note 25, the Group's bank and other borrowings amounted to RMB6,760,784,000 as at 30 June 2020, out of which RMB1,566,733,000 was overdue and became immediately repayable as at 30 June 2020. The overdue amount increased to RMB1,988,453,000 on the date of approval of these interim condensed consolidated financial statements. As at 30 June 2020, bank and other borrowings of RMB1,856,484,000 did not meet certain loan covenants in the relevant borrowing agreements and became immediately repayable as of that date.

Further, as set out in Note 28, the 2015 Corporate Bond, including the outstanding principal of RMB550,000,000 and unpaid interest of RMB70,403,000 as at 30 June 2020, have been overdue.

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

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

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

1. BASIS OF PREPARATION (Continued)

Progress of proceeds received from the disposal of the 11 Target Companies

During the six months ended 30 June 2020, the Group completed the disposal of 11 Target Companies at a total consideration of RMB1,395 million. Up to the date of approval of these interim condensed consolidated financial statements, a significant portion of total consideration has been settled. The management of the Company expects that remaining amount of the consideration will be received prior to February 2021.

The disposal of the 6 Target Companies

On 16 March 2020, the Group entered into six sale and purchase agreements to dispose of the 6 Target Companies at a total consideration of RMB509 million.

Notwithstanding that the share transfer of the 6 Target Companies has been completed subsequent to the end of the reporting period, the collection of the sale proceeds still depends on the timing of payment of cash consideration to be payable by Zhejiang Zhengtai New Energy Development Co., Ltd. ("Zhengtai") and the relevant payables to be payable by the 6 Target Companies to the Group. Details of the disposal, including the aforesaid settlement arrangement, are set out in Note 18.

The transitional period audit and the certain remedial steps have commenced and have been progressing positively. Up to the date of approval of these interim condensed consolidated financial statements, certain amount of total consideration has been settled by Zhengtai and the management of the Company expects that the remaining cash consideration and relevant payables will be received prior to February 2021.

Possible Disposals of Further Solar Power Plants

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

1. BASIS OF PREPARATION (Continued)

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

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

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

In respect of bank and other borrowings (Note 25)

(i) Sino Alliance Capital Ltd. ("Sino Alliance"), China Minsheng Banking Corp., Ltd Hong Kong Branch ("CMBC-HK") and True Bold Global Limited ("True Bold")

The Group had separately agreed with Sino Alliance (as detailed in Note 25(a)) and CMBC-HK (as detailed in Note 25(b)) to repay part of the outstanding borrowings through the use the sale proceeds of the 11 Target Companies and the 6 Target Companies.

For the Fifth CB subscribed by True Bold (as detailed in Note 25(e)), the Group had made partial settlement in cash subsequent to the end of the reporting period.

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

(ii) Bondholders A of the Fourth CB

The Group has made settlement (as detailed in Note 25(d)) to the Bondholders A. Up to the date of approval of these interim condensed consolidated financial statements, the management of the Company is still in negotiation with the remaining individual of Bondholders A for the extension of repayment.

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

As at 30 June 2020, the principal amount of RMB490,000,000 and accrued interest of RMB177,355,000 were overdue. Up to the date of approval of these interim condensed consolidated financial statements, the accrued interest was increased to RMB186,094,000.

Since the equity interest of the Group's subsidiary which owns and operates the solar power plant has been pledged to JIC, the management of the Company expects to repay the outstanding loan principal, related interest payable and penalty interest payable from the proceed arising from the possible disposal of the entire equity interest of the relevant subsidiary which holds such solar power plant in the near future.

* English name is for identification purpose only

1. BASIS OF PREPARATION (Continued)

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

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

In respect of bank and other borrowings (Note 25) (Continued)

(iv) Other remaining expired bank and other borrowings

Other than the borrowings which are individually specified above, there are still other bank and other borrowings with aggregate balances of RMB146,261,000 overdue on 30 June 2020.

The management of the Company assessed that RMB614,261,000 out of the total overdue balance of RMB1,566,733,000 as at 30 June 2020 and RMB533,832,000 out of total overdue balance of RMB1,988,453,000 on the date of approval of these interim condensed consolidated financial statements were held by the subsidiaries holding the solar power plants in the PRC and therefore, the bank and other borrowings held by these entities are expected to be eventually assumed by the purchasers according to the relevant sale and purchase agreements and under similar terms and conditions of the disposal of the 11 Target Companies and 6 Target Companies.

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

In respect of bond payables (Note 28)

(v) 2015 Corporate Bond

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

As at 30 June 2020, the total principal amount of RMB550,000,000 and accrued bond interest of RMB70,403,000 were overdue.

A total principal amount of RMB7,100,000 and accrued bond interest of RMB42,900,000 have been settled subsequent to the end of the reporting period and up to the date of approval of these interim condensed consolidated financial statements. Up to the date of approval of these interim condensed consolidated financial statements, the overdue principal amount and accrued bond interest were RMB542,900,000 and RMB34,757,000 respectively.

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

1. BASIS OF PREPARATION (Continued)

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

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

In respect of bond payables (Note 28) (Continued)

(vi) 2016 Corporate Bond

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

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

As at 30 June 2020, the outstanding carrying amount and the accrued bond interest were RMB275,709,000 and RMB32,034,000 respectively.

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

In addition, given that (i) the extension of loans obtained by the Group as at the end of the reporting period, and the possible extension of loans which the Group anticipated based on the current negotiation with creditors which is not yet committed as at the end of the reporting period, are mostly short-term, and (ii) the exact timing of the completion of, and the collection of proceeds from, the disposal of the 11 Target Companies, 6 Target Companies and Possible Disposals of Further Solar Power Plants are inherently uncertain, which may not occur in a way that enables the Group to honour its current repayment commitment/agreement in the short term, and the disposal timetable may be further delayed or may not occur as the Group has expected, the directors of the Company is of the view that the actual timing of collection of the relevant proceeds from the disposal of the 11 Target Companies, 6 Target Companies and Possible Disposals of Further Solar Power Plants may not match with the Group's current agreements or settlement arrangements with its creditors. Therefore, the Group must use its best endeavour to re-negotiate with its creditors on a continuous basis to further revise/extend the repayment timing beyond the period currently agreed by the Group's creditors, or to make payment in an amount which is less than that as expected by its creditors, in order to enable the Group to effect the collection and application of disposal proceeds in an orderly manner for the repayment of loans in the next twelve months from the end of the reporting period. If the creditors do not agree with the settlement plan/further extension plan as planned by the management of the Company, the Group will not have sufficient working capital for the next twelve months from the end of the reporting period.

1. BASIS OF PREPARATION (Continued)

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

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

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

(b) Negotiating with creditors not to exercise their rights to demand for immediate payment in respect of the Group's bank and other borrowings that had breached certain loan covenants, which amounted to a total of RMB1,856,484,000 as at 30 June 2020. The management of the Company is confident that these creditors will not demand for immediate repayment based on its negotiations with these creditors; and

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

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

1. BASIS OF PREPARATION (Continued)

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

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

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

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

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

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

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

(vii) seeking other financing resources (including but not limited to advances from its shareholders and/or from those entities owned and controlled by the shareholders) and on the basis that the shareholders and/or those entities owned and controlled by the shareholders are financially viable to provide finance to the Group so as to enable the Group to have adequate working capital in the next twelve months and to repay the matured and maturing debts from time to time.

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

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

The outbreak of COVID-19 has developed rapidly in 2020 and significantly impacted entities and economic activities in varying scales globally. While there have been more immediate and pronounced disruptions in certain industries, its impact on the energy industry in the countries where the Group operates has been rather modest during the current reporting period. Nevertheless, as the outbreak of COVID-19 continues to evolve, it is challenging at this juncture to predict the full extent and duration of its impact to the business and the economy. The management of the Company has assessed the impact of COVID-19 across the Group, and up to the date of approval of interim condensed consolidated financial statements, the management has not identified any areas that could have a material impact on the financial performance or position of the Group as at 30 June 2020.

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3A. Principal Accounting Policies

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied, for the first time, the following new and amended IFRSs that are mandatory effective for annual period beginning on or after 1 January 2020 for the preparation of the Group's interim condensed consolidated financial statements:

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

The application of these amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in the Group's annual consolidated financial statements for the year ended 31 December 2019 and Note 3A above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(i) Critical judgements in applying accounting policies

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

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

The revenue recognition basis to each of the Group's revenue stream is described in the Group's annual consolidated financial statements for the year ended 31 December 2019. The recognition of each of the Group's revenue stream requires judgement by the management of the Company in determining the timing of satisfaction of performance obligations.

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

For the sales of Solar Products and LED Products, the directors of the Company have assessed that the Group has a present right to payment from the customers for the goods transferred at a point in time upon customers' acceptance of the deliverable units. In addition, in accordance with industry business practice, the Group provides warranty in connection with the sale of solar module product, with post-sale tasks including the replacement and repair service for defects in material and workmanship as set out in Note 24(a). First of all, the customer does not have the option to purchase a warranty separately. Secondly, it is necessary for the Group to perform the tasks to provide the assurance that a product complies with agreed-upon specifications, then the tasks likely do not give rise to a performance obligation. The warranty is not distinct and therefore, the management of the Company has satisfied that there is only a single performance obligation and recognise the revenue at a point in time. The warranty provision is the Group accounts for the warranty in the provision.

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

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

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

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

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

For the provision of installation services of PV Systems (as defined in Note 11) on rooftop of building owned by the customers, the related revenue is recognised over time as the directors of the Company has assessed that the Group's performance creates and enhances an assets that the customer controls as the Group performs.

For the provision of Plant Operation and Services (as defined in Note 11), the directors of the Company has assessed that the customers simultaneously receive and consume the benefits provided by the Group's performances as the Group performs and the Group has an enforceable right to payment for performances completed to date. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognised revenue on a monthly basis at the specified service fee over the contract period.

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

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

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

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

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

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

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

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

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

Pursuant to the New Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidies have come into force since 2013 and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, the state grid companies upon receipt of funds would then make settlement to the Group. Registrations to the Catalogue is an ongoing process and the Catalogue is opened for registrations on a batch by batch basis. Revenue on tariff subsidies on electricity sales of RMB420,875,000 from the state grid companies in the PRC was recognised for the six months ended 30 June 2020 in which tariff subsidies amounting to RMB48,725,000 relating to certain of the on-grid solar power plants of the Group are still pending for registration to the Catalogue.

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

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

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

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

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

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

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

As part of the transaction, the Group also entered into a management contract with Chongqing Future ("Management Contract"), pursuant to which the management team of the Nine Disposal Entities, which continued to be appointed by the Group for a period of four years till the end of the Profit Guarantee Period (as defined in Note 32 in the annual report of 2015), is responsible for the management and operation of the nine solar power plant projects held by the Nine Disposal Entities, (including all the decisions of their relevant activities), and the Group in return would receive a fixed amount of management fee and entitled to certain variable amount of return, determined based on the performance of the Nine Disposal Entities. In the opinion of the directors, the Group is still able to control the Nine Disposal Entities. In addition, the 2015 Proposed Disposal was also subject to the fulfilment of certain conditions precedent (including to obtain necessary permits related to the development of the solar power plants, consents and approvals from the relevant government authorities) prior to the payment due date of the second instalment of the cash consideration on 30 September 2016, the 2015 Proposed Disposal was considered as incomplete as at 31 December 2015.

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

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

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

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

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

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

Such borrowings from Chongqing Future and Chongqing Trust, of which due date had been extended in the prior year, has been both matured on 29 September 2019. Another supplementary agreement dated 26 December 2019 has been entered into between the Group and Chongqing Trust to further extend the due date to 30 September 2020. The Group's outstanding principal balances due to Chongqing Future and Chongqing Trust as at 30 June 2020 amounted to RMB33,484,000 and RMB666,000,000, respectively. The outstanding balance of RMB33,484,000 due to Chongqing Future were overdue as at 30 June 2020.

As at 30 June 2020, the legal ownership in respect of the entire equity interest of Jiangsu Changshun has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities were continued to be accounted for as non-controlling interests and the related profit for the current period amounting to RMB33,309,000 (six months ended 30 June 2019: RMB32,906,000) has been transferred from accumulated deficits to non-controlling interests as at 30 June 2020.

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

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

(f) The 6 Target Companies classified as held for sale

As set out in Note 18, two indirect wholly-owned subsidiaries of the Company entered into 6 share sale and purchase agreements with an independent third party, pursuant to which the sellers have conditionally agreed to sell, and the buyer has conditionally agreed to purchase each of the equity interest of the 6 Target Companies, which owns and operates solar power plants in the PRC. The transaction was approved by the shareholders on 2 July 2020 and the management assessed that each of the 6 Target Companies are available for immediate sale in its present condition and the sale is expected to be highly probable and would be completed within twelve months after the end of the reporting period. As at 30 June 2020, assets and liabilities relating to the 6 Target Companies amounting to RMB1,164,548,000 and RMB655,156,000 have been classified as held for sale and presented as current assets and current liabilities, respectively.

(ii) Key sources of estimation uncertainty

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

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

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

As at 30 June 2020, the carrying amount of property, plant and equipment and solar power plants is RMB227,490,000 (net of impairment of RMB189,704,000) and RMB 5,602,819,000 (net of impairment of RMB505,732,000), respectively.

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

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

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

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

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

(c) Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down inventories in that period. As at 30 June 2020, the carrying amount of the Group's inventories was approximately RMB87,930,000 (net of allowance for inventories of RMB55,511,000) (31 December 2019: RMB92,150,000 (net of allowance for inventories of RMB68,575,000)).

(d) Impairment of prepayments to suppliers

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

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

As at 30 June 2020, the carrying amount of prepayments to suppliers was RMB16,698,000 (31 December 2019: RMB18,890,000).

3. PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

3B. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

(ii) Key sources of estimation uncertainty (Continued)

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

The directors of the Company determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment and solar power plants. These estimates are based on the historical experience of the actual residual values and useful lives of plant and equipment and solar power plants of similar nature and functions. As at 30 June 2020, the total carrying amount of the Group's property, plant and equipment and solar power plants was RMB5,830,309,000 (31 December 2019: RMB7,015,340,000).

(f) Income taxes

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

Certain subsidiaries of the Group were each entitled to a preferential enterprise income tax rate for a specified period subject to certain conditions. Management generally applies the applicable preferential tax rate to calculate current income tax (Note 12) on the assumption that the subsidiaries will meet the conditions and qualify for the preferential treatment. The consequence of any failure to meet the conditions and any change in the applicable tax rate is adjusted in the year in which the information becomes known.

(g) Fair value measurements and valuation processes

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

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

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

4. REVENUE

Disaggregation of revenue

A. Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2020

Segments	Sales of LED Products RMB'000 (Unaudited)	Revenue from sales of electricity RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or service			
Sales of electricity	—	159,378	159,378
Tariff subsidies	—	420,875	420,875
Sales of goods	221,767	—	221,767
Total	221,767	580,253	802,020
Geographical markets			
Mainland China	216,475	580,253	796,728
Other countries	5,292	—	5,292
Total	221,767	580,253	802,020
Timing of revenue recognition			
A point in time	221,767	580,253	802,020

4. REVENUE (Continued)

Disaggregation of revenue (Continued)

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

For the six months ended 30 June 2019

Segments	Sales of LED Products RMB'000 (Re-presented) (Unaudited)	Revenue from sales of electricity RMB'000 (Re-presented) (Unaudited)	Total RMB'000 (Re-presented) (Unaudited)
Types of goods or service			
Sales of electricity	–	178,258	178,258
Tariff subsidies	–	509,891	509,891
Sales of goods	147,503	–	147,503
Total	147,503	688,149	835,652
Geographical markets			
Mainland China	145,726	688,149	833,875
Other countries	1,777	–	1,777
Total	147,503	688,149	835,652
Timing of revenue recognition			
A point in time	147,503	688,149	835,652

B. Performance obligations for contracts with customers

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

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

4. REVENUE (Continued)

Disaggregation of revenue (Continued)

B. Performance obligations for contracts with customers (Continued)

Sales of electricity

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

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

Tariff subsidies

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

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

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

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

5. SEGMENT INFORMATION

Information has been reported to the Chief Executive Officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. During the six months ended 30 June 2019, (i) manufacturing and sales of Solar Products (as defined in Note 11) and installation services of PV Systems, (ii) provision of Plant Operations and Services; and (iii) solar power generation in overseas regions (as defined in Note 11) were presented as discontinued operations details of which were set out in Note 11. The Group's reportable and operating segments in respect of continuing operations were presented for both periods as follows:

(1) Solar power generation in the PRC; and

(2) Manufacturing and sales of LED Products.

Segment revenue and results

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

Continuing operations

	Six months ended 30 June					
	Solar power generation in the PRC		Manufacturing and sales of LED Products		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Re-presented)				(Re-presented)
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue						
External sales	**159,378**	178,258	**221,767**	147,503	**381,145**	325,761
Tariff subsidies	**420,875**	509,891	**—**	—	**420,875**	509,891
	580,253	688,149	**221,767**	147,503	**802,020**	835,652
Segment (loss)/profit	**(58,670)**	213,974	**66,353**	18,063	**7,683**	232,037
Unallocated income						
— Bank interest income					**1,144**	626
— Change in fair value of derivative financial liabilities					**1,293**	(2,742)
Unallocated expenses						
— Central administration costs					**(14,155)**	(18,672)
— Finance costs					**(456,340)**	(588,245)
Loss allowance (recognised)/reversed on financial guarantee contracts for a joint venture					**(5,419)**	92,307
Impairment loss on amounts due from the related parties					**(1,194)**	—
Share of profits of associates					**1,090**	1,125
Loss before tax					**(465,898)**	(283,564)

5. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Continuing operations (Continued)

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

	Six months ended 30 June					
	Solar power generation in the PRC		Manufacturing and sales of LED Products		Total	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Re-presented)				(Re-presented)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Impairment loss on assets classified as held for sale	(214,406)	–	–	–	(214,406)	–
Impairment loss on solar power plants	(17,771)	–	–	–	(17,771)	–
Impairment losses recognised on trade and other receivables, contract assets and financial guarantee contract, net	(24,028)	(4,991)	(2,704)	(12,166)	(26,732)	(17,157)
Write-down of inventories	–	–	(4,134)	(2,739)	(4,134)	(2,739)

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

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Segment assets		
Continuing operations		
Solar power generation in the PRC	**10,218,279**	13,341,704
Manufacturing and sales of LED Products	**557,858**	593,587
Total segment assets	**10,776,137**	13,935,291
Other unallocated assets	**1,994,152**	2,197,203
Consolidated assets	**12,770,289**	16,132,494
Segment liabilities		
Continuing operations		
Solar power generation in the PRC	**9,244,618**	11,510,426
Manufacturing and sales of LED Products	**214,705**	269,650
Total segment liabilities	**9,459,323**	11,780,076
Other unallocated liabilities	**3,194,613**	3,767,785
Consolidated liabilities	**12,653,936**	15,547,861

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

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

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

5. SEGMENT INFORMATION (Continued)

Entity-wide disclosures

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
Sale of LED Products	**221,767**	147,503
Sales of electricity	**159,378**	178,258
Tariff subsidies (Note)	**420,875**	509,891
Total	**802,020**	835,652

Note:

The amount represents the tariff subsidies which were approximately 38% to 90% (six months ended 30 June 2019: 40% to 90%) of the total electricity sales, adjusted with the amount of significant financing component. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

Geographical information

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		**30 June**	31 December
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Re-presented)		
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Continuing operations				
Mainland China	**796,728**	833,875	**6,871,950**	8,078,291
Other countries	**5,292**	1,777	**—**	—
Total	**802,020**	835,652	**6,871,950**	8,078,291

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

5. SEGMENT INFORMATION (Continued)

Information about major customers

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
Company A[1]	**128,473**	150,722
Company B[1]	**98,219**	84,578
Company C[2]	**92,720**	N/A[3]
Company D[1]	**82,362**	83,969

1 Revenue from sales of electricity and tariff subsidies.

2 Revenue from manufacturing and sales of LED products.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
Continuing operations		
Bank interest income	**1,144**	626
Government grants (Note i)	**15,584**	24,236
Gain/(Loss) on sales of raw and other materials	**494**	(31)
Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets (Note ii)	**16,468**	26,246
Others	**1,377**	1,293
	35,067	52,370

Notes:

(i) The government grants represent the amount received from the local government by the PRC operating entities of the Group. Government grants of (a) RMB15,284,000 (six months ended 30 June 2019: RMB23,482,000) represent unconditional incentive received and recognised and (b) RMB300,000 (six months ended 30 June 2019: RMB754,000) represents the subsidies to support the Group's business development of the LED industry in Nanchang City, Jiangxi Province, the PRC.

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

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
Continuing operations		
Gain/(Loss) on change in fair value of derivative financial liabilities (Notes i and 26)	**1,293**	(2,742)
Impairment loss on assets classified as held for sale (Note 18)	**(214,406)**	—
Impairment loss on solar power plants (Note ii)	**(17,771)**	—
Gain/(Loss) on disposal of property, plant and equipment (Note 15)	**744**	(178)
Loss on disposal of subsidiaries (Note 30)	**(31,939)**	—
Net foreign exchange loss	**(41,570)**	(82,077)
Written off of prepayments to suppliers	**(2,271)**	—
Others	**(6,582)**	(1,885)
	(312,502)	(86,882)

Notes:

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

(ii) During the six months ended 30 June 2020, due to the adverse change of market conditions, in the opinion of the directors of the Company, the recoverable amount of the solar power plants is estimated to be less than its carrying amount, and the carrying amount of the relevant solar power plants are reduced to the extent of their recoverable amount, with an impairment loss of RMB17,771,000 (30 June 2019: Nil).

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
Continuing operations		
Losses allowances recognised/(reversed) on:		
Trade receivables — goods and services	**(176)**	(961)
Contract assets	**49**	—
Other receivables	**17,859**	18,818
Amounts due from related parties	**1,194**	—
Financial guarantee contracts, net (Note 24(b))	**14,419**	(93,007)
	33,345	(75,150)

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL (CONTINUED)

The basis of determining the inputs and assumptions and the estimation techniques used in these interim condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

During the six months ended 30 June 2020, the Group provided RMB76,891,000 impairment loss allowance, in particular, a specific loss allowance of RMB41,531,000 has been made to individual debtors due to evidences of receivables being credit-impaired or with its credit risk being significantly increased.

9. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on bank and other borrowings	**403,402**	417,851
Finance charges of discounting bills receivables	**—**	26
Interest on lease liabilities	**694**	1,575
Effective interest on convertible bonds (Note 27)	**30,019**	141,436
Effective interest on bonds payable	**22,322**	28,339
Interest on amounts due to independent third parties	**—**	30
Total borrowing costs	**456,437**	589,257
Less: amounts capitalised	**(97)**	(1,012)
	456,340	588,245

Borrowing costs capitalised arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.90% (six months ended 30 June 2019: 6.55%) per annum to expenditure on qualifying assets.

10. LOSS BEFORE TAX

Continuing operations

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging/(crediting):		
Staff costs	**46,618**	55,601
Including: recognition of share-based payment expenses in relation to the share option scheme of the Lattice Power Group	**—**	9,934
Capitalised in inventories	**(8,320)**	(8,430)
	38,298	47,171
Impairment loss on assets classified as held for sale	**214,406**	—
Impairment loss on solar power plants	**17,771**	—
Cost of inventories recognised as expense	**205,226**	181,513
Write-down of inventories	**4,134**	2,739
Depreciation of property, plant and equipment	**12,648**	21,164
Depreciation of completed solar power plants	**191,767**	276,219
Depreciation of right-of-use assets	**4,805**	10,842
Amortisation of intangible assets	**245**	387

11. DISCONTINUED OPERATIONS

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

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

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

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

(iii) Solar power generation in overseas regions.

The respective profit for the six months ended 30 June 2019 from the Disposal Group is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been re-presented as the discontinued operations.

* English name is for identification purpose only

11. DISCONTINUED OPERATIONS (Continued)

For the period from 1 January 2019 to 30 June 2019	**Manufacturing and sales of Solar Products and installation services of PV Systems** RMB'000	**Provision of Plant Operation and Services** RMB'000	**Solar power generation in overseas regions** RMB'000	**Total** RMB'000
Revenue	4,191,814	160,264	86,297	4,438,375
Cost of sales	(3,513,931)	(110,550)	(167,506)	(3,791,987)
Gross profit/(loss)	677,883	49,714	(81,209)	646,388
Other income	39,446	2,412	2	41,860
Imputed interest on amounts due from the Group	321,973	—	—	321,973
Other gains and losses and other expenses	26,716	(6,684)	(6,148)	13,884
Impairment losses under expected credit loss model, net of reversal	(93,981)	(404)	—	(94,385)
Impairment loss on amounts due from the Group	(41,390)	—	—	(41,390)
Distribution and selling expenses	(315,398)	(14,030)	(54,137)	(383,565)
Administrative expenses	(163,570)	(25,055)	(1,871)	(190,496)
Research and development expenditure	(41,531)	(10,503)	—	(52,034)
Share of (losses)/profits of associates	(4,459)	16	—	(4,443)
Share of profits of joint ventures	95,250	8,529	—	103,779
Finance costs	(22,754)	(5,621)	—	(28,375)
Profit/(Loss) before tax	478,185	(1,626)	(143,363)	333,196
Income tax expense	(7,240)	(2,079)	—	(9,319)
Profit/(Loss) for the period	470,945	(3,705)	(143,363)	323,877
Intragroup elimination of imputed interest on amounts due from the Group	(321,973)	—	—	(321,973)
Intragroup elimination of impairment loss on amounts due from the Group	41,390	—	—	41,390
Profit/(Loss) for the period	190,362	(3,705)	(143,363)	43,294

11. DISCONTINUED OPERATIONS (Continued)

Loss for the period from discontinued operations includes the following:

	Six months ended 30 June 2019 RMB'000
Loss before tax has been arrive at after charging/(crediting)	
Staff costs	247,950
Capitalised in inventories	(41,979)
	205,971
Warranty provided (included in cost of sales)	31,809
Write-down of inventories	8,508
Cost of inventories recognised as expense	3,743,076
Depreciation of property, plant and equipment	75,586
Depreciation of completed solar power plants	17,102
Depreciation of right-of-use assets	10,946
Amortisation of intangible assets	5,274

Cash flows from discontinued operations:

	Six months ended 30 June 2019 RMB'000
Net cash inflows from operating activities	476,042
Net cash outflows from investing activities	(164,545)
Net cash outflows from financing activities	(515,530)
Net cash outflows	(204,033)

12. INCOME TAX EXPENSE

Continuing operations

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
PRC enterprise income tax:		
Current period	**2,674**	5,966
Under provision in prior periods	**57**	357
	2,731	6,323
Deferred tax credit	**(49)**	(49)
Income tax expense	**2,682**	6,274

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

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

On 23 August 2017, the Lattice Power Group renewed "High Technology Enterprise" status for 3 years that entitled the Lattice Power Group a preferential tax rate of 15% for year 2017 to 2019 according to PRC Tax Law. The Group is in the process of further renewal of the "High Technology Enterprise" status for another 3-year period. The directors of the Company are of the opinion that the Group would be able to renew such status based on prior successful renewal experience.

The remaining subsidiaries of the Company established in the PRC are subject to PRC enterprise income tax rate of 25% in both periods.

13. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2020 and 2019. The directors have determined that no dividend will be paid in respect of the current interim period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

14. LOSS PER SHARE — BASIC AND DILUTED

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
From continuing operations		
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	**(491,559)**	(250,399)
Less: Profit for the period from discontinued operations attributable to owners of the Company	**—**	(43,294)
Loss for the period attributable to owners of the Company from continuing operations for the purposes of basis loss per share	**(491,559)**	(293,693)
Effect of dilutive potential ordinary shares: — convertible bonds (Note)	**—**	—
Loss for the purposes of diluted loss per share	**(491,559)**	(293,693)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,982,375,490**	4,982,375,490
Effect of dilutive potential ordinary shares: — convertible bonds (Note)	**—**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**4,982,375,490**	4,982,375,490

14. LOSS PER SHARE — BASIC AND DILUTED (CONTINUED)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
		(Re-presented)
	(Unaudited)	(Unaudited)
From continuing and discontinued operations		
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	**(491,559)**	(250,399)
Effect of dilutive potential ordinary shares: — convertible bonds (Note)	**—**	—
Loss for the purposes of diluted loss per share	**(491,559)**	(250,399)

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

From discontinued operations

For the six months ended 30 June 2019, basic and diluted earnings per share for the discontinued operations was RMB0.87 cent per share, based on the profit for the period from discontinued operations attributable to owners of the Company of RMB43,294,000 and the denominators detailed above for both basic and diluted earnings per share.

15. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group had additions to property, plant and equipment of approximately RMB12,636,000 (six months ended 30 June 2019: RMB121,549,000).

In addition, during the six months ended 30 June 2020, the Group disposed of certain property, plant and equipment with an aggregate carrying amounts of RMB4,679,000 (six months ended 30 June 2019: RMB21,881,000) for a total sum of cash consideration of RMB5,423,000 (six months ended 30 June 2019: RMB24,274,000), resulting in a gain on disposal of RMB744,000 (six months ended 30 June 2019: loss on disposal of RMB178,000, re-presented).

16. MOVEMENTS IN RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group had additions to right-of-use assets of approximately RMB543,000 (six months ended 30 June 2019: RMB3,591,000).

During the six months ended 30 June 2020, the Group reclassified right-of-use assets with carrying amounts of RMB44,264,000 associated with 6 Target Companies to assets held for sale as disclosed in Note 18.

17. MOVEMENTS IN SOLAR POWER PLANTS

During the six months ended 30 June 2020, the Group had additions to solar power plant under construction (including capital expenditure for incomplete solar power plants) of approximately RMB61,444,000 (six months ended 30 June 2019: RMB19,143,000).

During the six months ended 30 June 2020, there were solar power plants with the carrying amounts of RMB10,505,000 (six months ended 30 June 2019: RMB110,785,000) transferred from solar power plants under construction to completed solar power plants and impairment loss of approximately RMB17,771,000 (six months ended 30 June 2019: Nil) has been recognised to completed solar power plants. As at 30 June 2020, completed solar power plants and solar power plants under construction amounted to RMB5,153,747,000 (31 December 2019: RMB6,345,814,000) and RMB449,072,000 (31 December 2019: RMB437,143,000), respectively.

During the six months ended 30 June 2020, the Group reclassified the solar power plants with carrying amounts of RMB986,210,000 associated with 6 Target Companies to assets held for sale as disclosed in Note 18. No solar power plants were disposed of during the six months ended 30 June 2019.

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

As at 30 June 2020

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

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

- relevant payables representing the relevant amount payable by the relevant 6 Target Companies to the Group by three to four tranches, the timing and amount of payment to the Group of which are conditional upon the completion of the disposal and certain conditions and, as stipulated in the relevant sale and purchase agreements, are subject to adjustment from the result of transitional period audit to be performed by the PRC local auditor engaged by Zhengtai of the relevant 6 Target Companies and certain remedial steps (as defined and detailed in the Company's circular dated 15 June 2020). The management of the Company assessed that the relevant payables amounted to RMB328,252,000 as at 30 June 2020.

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

* English name is for identification purpose only

18. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

As at 30 June 2020 (Continued)

The disposal is still underway as at 30 June 2020 as certain conditions precedent have not yet been met. The management of the Company has assessed that the sale of each of the 6 Target Companies is highly probable to be completed within twelve months from the date of classification. Assets and liabilities of each of the 6 Target Companies, which are expected to be sold within twelve months, have been classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively, and are presented separately in the condensed consolidated statement of financial position as at 30 June 2020 (see below). The results, assets and liabilities in relation to 6 Target Companies were included in the Group's solar power generation in the PRC for segment reporting purposes. The major classes of assets and liabilities of the 6 Target Companies as at 30 June 2020, which have been presented separately in the condensed consolidated statement of financial position, are as follows:

	30 June 2020 RMB'000
Property, plant and equipment	202
Right-of-use assets	44,264
Solar power plants	986,210
Value-added tax recoverable	13,396
Trade and other receivables	332,570
Bank balances and cash	2,312
Impairment loss on assets classified as held for sale (Note)	(214,406)
Total assets classified as held for sale	1,164,548
Trade and other payables	101,522
Bank and other borrowings	553,634
Total liabilities associated with assets classified as held for sale	655,156

Note: As at 30 June 2020, taking into account the cash consideration payable by Zhengtai to the Group, and the relevant payables payable by the relevant 6 Target Companies to the Group, the expected total proceeds received by the Group were estimated to be less than the net carrying amount of the relevant assets and liabilities, and an impairment loss of RMB214,406,000 was recognised in other gains and losses during the six months ended 30 June 2020, accordingly.

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

	30 June 2020 RMB'000
Solar power plants	986,210
Trade receivables and accrued revenue on tariff subsidies	124,796

18. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

As at 30 June 2020 (Continued)

The transaction was approved by the shareholders of the Company on 2 July 2020 and subsequent to the end of the reporting period, the registration for share transfer legal titles of 6 Target Companies has been completed.

As at 31 December 2019

On 15 November 2019, the Company entered into 11 sale and purchase agreements with the Zhonghe Shandong Energy Co., Ltd.* (中核山東能源有限公司) ("ZSEC"), an independent third party, pursuant to which the Company has conditionally agreed to sell, and ZSEC has conditionally agreed to purchase each of equity interest in i) Hami Hengxin New Energy Technology Co., Ltd.* (哈密恒鑫新能源科技有限公司) ("Hami Hengxin"), ii) Hami Junxin Photovoltaic Power Generation Co., Ltd.* (哈密浚鑫光伏發電有限公司)("Hami Junxin"), iii) Hami Tianhong Solar Power Technology Co., Ltd.* (哈密天宏陽光太陽能科技有限公司) ("Hami Tianhong"), iv) Hami Yixin New Energy Technology Co., Ltd.* (哈密益鑫新能源科技有限公司) ("Hami Yixin"), v) Hebei Guowei New Energy Technology Co., Ltd.* (河北國威新能源科技有限公司) ("Hebei Guowei"), vi) Jinchang Zhongke New Energy Co., Ltd.* (金昌市中科新能源有限公司) ("Jinchang Zhongke"), vii) Pingluo Zhongdianke Energy Co., Ltd.* (平羅中電科能源有限公司) ("Pingluo Zhongdianke"), viii) Shangde (Hami) Solar Power Generation Co., Ltd.* (尚德(哈密)太陽能發電有限公司) ("Shangde (Hami)"), ix) Sunan Yugur Autonomous County Zhongneng Changyeyuan Co., Ltd.* (肅南裕固族自治縣中能產業園有限公司) ("Sunan Yugur"), x) Wuwei Jiuyuan Metal Components Co., Ltd.* (武威久源金屬構件有限公司) ("Wuwei Jiuyuan") and xi) Wuwei Huadong Zhonghe New Energy Co., Ltd.* (武威華東眾合新能源有限公司) ("Wuwei Huadong"), (collectively referred to as the "11 Target Companies"), which owned and operated 11 solar power plants in total in the PRC. As at 31 December 2019, the proceeds arising from of the disposal of the 11 Target Companies were estimated to be RMB1,466,566,000, comprising the following:

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

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

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

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

* English name is for identification purpose only

18. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

As at 31 December 2019 (Continued)

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

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

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

18. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

As at 31 December 2019 (Continued)

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

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

19. TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	**216,512**	326,899
Accrued revenue on tariff subsidies (Note i)	**1,188,257**	1,217,930
	1,404,769	1,544,829
Less: Allowance for credit losses	**(27,885)**	(28,061)
Total trade receivables and accrued revenue on tariff subsidies	**1,376,884**	1,516,768
Other receivables		
Prepaid expenses	**13,687**	8,146
Amounts due from independent third parties (Note ii)	**40,805**	42,514
Amounts due from disposed subsidiaries (Note iii)	**355**	1,134
Consideration receivable for disposal of subsidiaries (Note vii)	**965,222**	12,030
Dividend receivable from an associate	**490**	490
Government subsidies receivable arising from the sales of LED Products (Note iv)	**25,489**	51,174
Security deposit (Note v)	**103,063**	107,000
Others (Note vi)	**8,489**	8,720
	1,157,600	231,208
	2,534,484	1,747,976

19. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) The Group's accrued revenue on tariff subsidies are receivables from the state grid company. Generally, the trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidies, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company. The collection of accrued revenue on tariff subsidies is expected in the normal operating cycle, which may be recovered after twelve months from the reporting date.

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

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

(iii) As at 30 June 2020, the amount included RMB355,000 (net of impairment loss allowance of RMB34,198,000 (31 December 2019: RMB1,134,000 (net impairment loss allowance of RMB33,419,000)) representing the current accounts with the disposed subsidiaries which were disposed of to independent third parties during the year 2016. The amounts were unsecured, interest-free and repayable within one year.

(iv) The amount represented the receivable balance in respect of the incentive provided by the local government of Nanchang City, Jiangxi Province, PRC to support the business development of LED industry in the PRC. During the six months ended 30 June 2020, RMB 25,665,000 (six months ended 30 June 2019: RMB79,053,000) was received.

(v) The amount represented deposits placed by the Group in the security deposits account opened in the independent financial institution, which was one of the corporate bondholders of one subsidiary of the Group. Pursuant to the maturity notice dated on 15 June 2018, an offsetting right has been granted by the Group to the independent financial institution, allowing it to offset the security deposits against the Group's outstanding corporate bond payable upon the maturity of the corporate bond. As set out in Note 28, the Group and the bondholder have entered into a supplementary agreement to extend the due dates of the remaining outstanding amounts of corporate bond payable to 25 April 2020. As at 30 June 2020, impairment loss allowance of RMB3,937,000 was recognised.

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

(vii) As at 30 June 2020, the amount included consideration receivable from the disposal of 11 Target Companies amounting to RMB965,222,000 (net of impairment loss allowance of RMB29,004,000). As at 31 December 2019, the amount represented consideration receivables in relation to the disposal of subsidiaries in 2016. The amount was non-trade in nature, unsecured, interest-free and repayable within one year.

19. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 30 days	**134,606**	102,050
31 to 60 days	**86,180**	72,544
61 to 90 days	**73,840**	69,398
91 to 180 days	**59,371**	212,942
Over 180 days	**1,022,887**	1,059,834
	1,376,884	1,516,768

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days (31 December 2019: 180 days) to certain trade customers on a case by case basis.

The Group's trade receivables and accrued revenue on tariff subsidies from the sales of electricity are mainly receivables from the state grid companies. Generally, the trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidies, representing 38% to 90% in 2020 (six months ended 30 June 2019: 40% to 90%) of total electricity sales, which is subject to settlement by state grid companies upon finalisation of the allocation of funds by relevant government authorities to the state grid companies.

Pursuant to New Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidies has come into force since 2013 and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

19. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables (which with a defined credit policy), net of allowance for doubtful debts, presented based on goods delivery and electricity transmitted dates, which approximated the respective revenue recognition date.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 30 days	**75,528**	60,888
31 to 60 days	**27,908**	26,477
61 to 90 days	**20,783**	12,551
91 to 180 days	**8,471**	28,095
Over 180 days	**55,937**	170,827
	188,627	298,838

No interest is charged on the Group's trade receivables. The Group did not hold any collateral over these balances. Before accepting any new customers, the Group assesses the potential customers' credit quality and defines credit limits by customer.

20. CONTRACT ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets — sales of renewable energy	**364,422**	310,473
Less: Allowance for credit losses	**(128)**	(79)
	364,294	310,394

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed for reporting purpose as:		
Non-current assets	**364,294**	310,394

20. CONTRACT ASSETS (Continued)

Notes:

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Contract assets, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on expected settlement dates.

Sales of renewable energy

The contract assets relate to the Group's right to consideration for electricity sold to the local state grid in PRC. The contract assets are transferred to trade receivables when the solar power plants complete the registration to the Catalogue. The Group considers the settlement terms contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant counterparties. The related contract assets are classified as non-current assets as at 30 June 2020 and 31 December 2019.

21. AMOUNTS DUE FROM THE RELATED PARTIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Consideration receivables arising from the disposal of the Disposal Group (Note i)	**1,646,376**	1,654,328
Loan advanced to the related parties (Note ii)	**117,113**	346,784
Trade receivables (Note iii)	**4,208**	3,473
Less: Allowance for credit losses	**(172)**	(172)
	1,767,525	2,004,413

Notes:

(i) As at 30 June 2020, the amount included RMB1,646,376,000 (31 December 2019: RMB1,654,328,000) (net of ECLs allowance of RMB98,624,000 (31 December 2019: RMB90,672,000)), representing the consideration receivable from Asia Pacific Resources arising from disposal of the Disposal Group as disclosed in Note 11.

(ii) As at 30 June 2020, the amount included RMB117,113,000 (31 December 2019: RMB346,784,000) (net of ECLs allowance of RMB6,838,000 (31 December 2019: RMB13,596,000)), representing the loan advanced to the subsidiaries included in the Disposal Group, which was now indirectly and wholly-owned by Mr. Cheng, a substantial of shareholder of the Company. The amounts were unsecured, interest-free, and repayable within one year.

(iii) As at 30 June 2020, the amount mainly included RMB4,036,000 (31 December 2019: RMB3,301,000) (net of ECLs allowance of RMB172,000 (31 December 2019: RMB172,000)), arising from the supply and the sales of electricity to the subsidiaries included in the Disposal Group, generated from the Group's roof-top solar power plant, which was trade related, unsecured and interest-free, and the credit period granted by the Group to the related party was is 180 days. Balance as at 30 June 2020 was all aged within 180 days based on the electricity transmitted date.

22. TRADE AND OTHER PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	**122,375**	121,280
Bills payables	**2,520**	—
Payables for acquisition of property, plant and equipment	**13,447**	17,542
Payables for EPC of solar power plants (Note i)	**1,128,703**	1,276,421
Other tax payables	**35,317**	19,331
Amounts due to independent third parties (Note ii)	**19,524**	21,740
Accrued expenses	**662,828**	495,701
Accrued payroll and welfare	**10,165**	21,668
Consideration payable for acquisition of subsidiaries (Note iii)	**12,777**	14,497
Others	**7,348**	13,111
	2,015,004	2,001,291

Notes:

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

(ii) As at 30 June 2020 and 31 December 2019, the amounts were non-trade in nature, unsecured, interest-free and repayable on demand.

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

22. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an analysis of the trade payables by age, presented based on the invoice date at the end of the reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Age		
0 to 30 days	**26,528**	37,802
31 to 60 days	**15,818**	18,547
61 to 90 days	**10,885**	14,993
91 to 180 days	**9,009**	26,725
Over 180 days	**60,135**	23,213
	122,375	121,280

The following is an analysis of the bills payable by age, presented based on the issue date at the end of the reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Age		
0 to 30 days	**2,520**	—

23. AMOUNTS DUE TO THE RELATED PARTIES

Analysed for reporting purpose as:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Loan advanced from the Disposal Group (Note)	**1,637,493**	2,224,930

Note:

As at 30 June 2020 and 31 December 2019, except for the unsecured balance of RMB10,000,000 carried at fixed interest rate of 6% per annum and repayable on demand, the remaining amounts due to the Disposal Group were non-trade in nature, unsecured, interest-free and repayable on demand.

24. PROVISIONS

	Warranty provision (Note a) RMB'000	Financial guarantee contracts (Note b) RMB'000	Total RMB'000
At 1 January 2019 (Audited)	742,648	276,841	1,019,489
ECLs recognised	—	4,071	4,071
Reversal of ECLs	—	(105,331)	(105,331)
Provision for the period	31,809	8,253	40,062
Utilisation of provision	(12,221)	—	(12,221)
Exchange adjustments	1,255	(973)	282
At 30 June 2019 (Unaudited)	763,491	182,861	946,352
Reversal of ECLs	—	(10,326)	(10,326)
Provision for the period	16,315	8,461	24,776
Utilisation of provision	(3,689)	—	(3,689)
Exchange adjustments	842	4,228	5,070
Eliminated on disposal of the Disposal Group	(776,959)	(8,124)	(785,083)
At 31 December 2019 (Audited)	**—**	**177,100**	**177,100**
ECLs recognised	**—**	**9,000**	**9,000**
Provision for the period	**—**	**8,500**	**8,500**
Reversal of provision	**—**	**(3,081)**	**(3,081)**
Exchange adjustments	**—**	**2,659**	**2,659**
At 30 June 2020 (Unaudited)	**—**	**194,178**	**194,178**

Notes:

(a) The Wuxi Suntech Group's standard PV modules (excluding the standard PV modules produced by Suntech Power Japan Corporation ("Suntech Japan")), were typically sold with a five-year warranty in terms of replacement and ten years in terms of defects in materials and workmanship. The Wuxi Suntech Group's standard PV modules also contain a 5, 12, 18 and 25-year standard warranty against declines of more than 5.0%, 10.0%, 15.0% and 20.0% of initial power generation capacity, respectively. Suntech Japan's standard PV modules sold in Japan are typically sold with a 10-year warranty in terms of replacement and repairing service for defects in materials and workmanship and a 25-year warranty against declines of more than 10.0% of initial peak power.

The warranty periods of Suntech Japan's building integrated photovoltaic ("BIPV") products vary depending on the nature and specification of each BIPV product. Additionally, a few of the customers have requested post-sales obligations. These obligations primarily consisted of (i) guaranteeing minimum system output for a certain period of time, normally less than five years, which requires Wuxi Suntech to compensate the customer for losses if the system output is lower than the minimum requirement; and (ii) providing certain post-sales system quality warranty in terms of replacement and repairing service for a certain period of time, normally less than five years. The Wuxi Suntech Group accrues warranty costs when recognising revenue and recognises such costs as a component of cost of sales. Warranty costs primarily consist of replacement costs for parts and materials and labor costs for maintenance personnel. Based on its best estimates of both future costs and the probability of incurring warranty claims, the Wuxi Suntech Group accrues for product warranties at approximately 1% of solar module sales and BIPV products. The Wuxi Suntech Group derives its estimates from a number of factors, including (1) an analysis of actual historical costs incurred in connection with its warranty claims; (2) an assessment of competitors' accrual and claim history; (3) changes in the market price of products required to be incurred to provide the warranty service, (i.e. the PV products); and (4) results from academic research, including industry-standard accelerated testing, and other assumptions that Wuxi Suntech believes to be reasonable under the circumstances.

Warranty provision was eliminated in full upon the completion of the disposal of the Disposal Group on 30 September 2019.

24. PROVISIONS (Continued)

Notes: (Continued)

(b) During the six month ended 30 June 2019,

(i) additional ECLs of RMB4,071,000 was recognised in relation to a financial guarantee contract provided by Shunfeng Photovoltaic Investment (China) Co., Ltd ("Shunfeng Investment") to a third party due to the increase in credit risk, while a reversal of RMB4,771,000 was recognised as relevant outstanding borrowing had been fully settled by the third party.

(ii) the Group made further provision of United States Dollar ("USD") 1,219,000 (equivalent to RMB8,253,000) relating to the additional outstanding interest expense that the Group was obliged to settle for Suniva Inc. ("Suniva") followed by a reversal of USD14,851,000 (equivalent to RMB100,560,000) was recognised as certain outstanding borrowings had been settled by Suniva.

During the six months ended 30 June 2020,

(i) additional ECLs of RMB9,000,000 was made in relation to the financial guarantee provided by Shunfeng Investment to a third party due to increase of credit risk.

(ii) The Group made further provision of USD1,208,000 (equivalent to RMB8,500,000) relating to the additional outstanding interest expense that the Group is obliged to settle for Suniva followed by a reversal of USD438,000 (equivalent to RMB3,081,000) as certain outstanding borrowings had been settled by Suniva.

Financial guarantee contracts of RMB8,124,000 was eliminated upon the completion of the disposal of the Disposal Group on 30 September 2019.

25. BANK AND OTHER BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Bank borrowings	**2,210,852**	2,803,337
Other borrowings	**4,549,932**	4,523,906
	6,760,784	7,327,243
Secured and guaranteed	**2,610,402**	2,404,824
Secured and unguaranteed	**3,612,351**	4,376,965
Unsecured and guaranteed	**30,000**	30,000
Unsecured and unguaranteed	**508,031**	515,454
	6,760,784	7,327,243
Fixed-rate borrowings	**3,939,493**	4,280,228
Variable-rate borrowings	**2,821,291**	3,047,015
	6,760,784	7,327,243
Carrying amount repayable:		
Within one year (Note (k))	**4,428,882**	4,583,876
More than one year, but not exceeding two years	**318,178**	365,946
More than two years, but not exceeding five years	**1,123,000**	1,350,833
More than five years	**890,724**	1,026,588
	6,760,784	7,327,243
Less: amounts due within one year shown under current liabilities (Note (j))	**(4,918,837)**	(5,097,942)
Amounts shown under non-current liabilities	**1,841,947**	2,229,301

25. BANK AND OTHER BORROWINGS (Continued)

More analysis on the bank and other borrowings as at 30 June 2020 and 31 December 2019:

Bank and other borrowings	Principal amount in original currency 30 June 2020		Principal amount in original currency 31 December 2019		Current liabilities RMB equivalents		Non-current liabilities RMB equivalents		Overdue amounts included in current liabilities as at	Overdue amounts up the date of approval of these interim condensed consolidated financial statements	Notes
					30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020		
	HKD'000	RMB'000	HKD'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Major creditors											
Sino Alliance	1,300,000	–	1,300,000	–	1,187,420	1,164,540	–	–	456,700	411,030	(a)
CMBC-HK	980,000	–	980,000	–	895,132	877,884	–	–	292,288	529,772	(b)
Chongqing Trust	–	666,000	–	666,000	666,000	666,000	–	–	–	–	(c)
Bondholders A (as defined in Note 27(d)) of the Fourth CB	545,250	–	564,250	–	498,031	505,455	–	–	9,134	319,690	(d)
True Bold	188,690	–	189,690	–	172,350	169,923	–	–	172,350	164,129	(e)
JIC	–	490,000	–	490,000	490,000	490,000	–	–	490,000	490,000	(f)
Consideration receivables in advance from Chongqing Future	–	33,484	–	33,484	33,484	33,484	–	–	33,484	33,484	(g)
Sub-total	3,013,940	1,189,484	3,033,940	1,189,484	3,942,417	3,907,286	–	–	1,453,956	1,948,105	
– held by group entities with solar power generation business	–	2,708,367	–	3,275,456	866,420	1,046,155	1,841,947	2,229,301	90,777	10,348	(h)
– held by the Lattice Power Group	–	110,000	–	144,501	110,000	144,501	–	–	22,000	30,000	(i)
Sub-total	–	2,818,367	–	3,419,957	976,420	1,190,656	1,841,947	2,229,301	112,777	40,348	
					4,918,837	5,097,942	1,841,947	2,229,301	1,566,733	1,988,453	

25. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a). As at 31 December 2016, included in the other borrowings was a borrowing of HKD2,500,000,000 advanced from Sino Alliance, which carried interest at 8.5% per annum and originally matured on 21 December 2018.

Upon the disposal of the Disposal Group in 2019, amounting to HKD1,200,000,000 was assumed by Asia Pacific Resources as part of the consideration. In addition, a supplementary agreement entered into among the Group, Asia Pacific Resources, Mr. Cheng and Sino Alliance dated 28 June 2019 to further extend the due dates, pursuant to which the outstanding principal balance of HKD1,300 million is required to be settled in two instalments, including:

(i) HKD500 million or 50% of consideration for the proposed disposal of the 11 Target Companies, whichever is higher, to be settled on 31 December 2019 or 30 business days after completion of the disposals, whichever is earlier; and

(ii) the remaining balances to be settled on 31 December 2020 or 30 business days after completion of the Group's other disposals of solar power plants (including the proposed disposal of 6 Target Companies and Possible Disposals of Further Solar Power Plants), if any and whichever is earlier.

As at 31 December 2019, the balance was HKD1,300,000,000 (equivalent to RMB1,164,540,000).

During the six months ended 30 June 2020, no settlement was made according to the terms stated in sub-note (a)(i) above and the principal balance of HKD1,300,000,000 remained outstanding as at 30 June 2020 with HKD500,000,000 overdue.

The total principal amount of HKD50,000,000 (equivalent to RMB45,670,000) has been settled subsequent to the end of the reporting period and up to the date of approval of these interim condensed consolidated financial statements.

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

(b). The bank borrowing of HKD980,000,000 advanced from CMBC-HK, which was carried at the aggregate interest rate of 5% plus 3-month HIBOR per annum together with a management fee of 1.5% and advisory fee 1.5% per annum and matured on 21 December 2018 (the "Final Maturity Date"). During the year ended 31 December 2018, a supplemental deed was entered into between the Group and CMBC-HK pursuant to which the maturity of the bank borrowing had been conditionally extended to 20 August 2019 (the "Extended Maturity Date"). In addition, the interest rate charged by CMBC-HK during the extended period was decreased from 5% to 4% per annum while the other terms and conditions remain unchanged.

On 31 October 2019, another supplementary agreement was entered into between the Group and CMBC-HK to further extend the due dates, pursuant to which the Group has agreed to additionally pledge its entire 59% of equity interest in Lattice Power Group to CMBC-HK, and CMBC-HK has agreed a further extension of the due dates and the settlement of the outstanding principal of HKD980,000,000 by instalments, including:

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

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

(iii) the remaining balance to be settled on or before 18 December 2020.

25. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

During the six months ended 30 June 2020, no settlement was made according to the terms stated in sub-note (b)(i) above and the principal balance of HKD980,000,000 remained outstanding as at 30 June 2020 with HKD320,000,000 overdue.

Subsequent to the period end, the amount stated in sub-note (b)(ii) above has become overdue and a principal of HKD20,000,000 (equivalent to RMB18,268,000) has been settled. As at the date of approval of these interim condensed consolidated financial statements, the overdue principal amount and accrued interest was increased to HKD580,000,000 (equivalent to RMB529,772,000) and HKD78,684,000 (equivalent to RMB71,870,000) respectively.

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

(c). The balances of RMB666,000,000 was advanced from Chongqing Trust which was secured by the Group's equity interest in Jiangsu Changshun and Nine Disposal Entities and guaranteed by the Company, carried fixed interest rate of 11% per annum, which was matured on 29 September 2019. Another supplementary agreement was entered into between the Group and Chongqing Trust dated 23 December 2019 to further extend the due date to 30 September 2020, with the terms remains unchanged.

(d). The balances of HKD564,250,000 due to the 19 individual bondholders of the Fourth CB (as defined as Bondholders A in Note 27(d)), which was unsecured and unguaranteed. Upon maturity of the Fourth CB on 15 June 2019, loan agreements had been entered into between the Group and the Bondholders A of the Fourth CB, the Group has extended the unpaid and outstanding principal balances totaling HKD564,250,000 (equivalent to RMB505,455,000) with a fixed annual interest rate of 4.0% to 20 December 2019, and all the rights under the original terms and conditions in relation to the Fourth CB to the Bondholders A have been waived.

On 20 December 2019, total principal balance of HKD564,250,000 (equivalent to RMB505,455,000) was matured, the Group has entered into certain supplementary agreements with certain Bondholder A of the Fourth CB to further extend the due date of total outstanding principal amount of HKD534,250,000 (equivalent to RMB478,581,000) to 25 March 2020, while the remaining outstanding principal amount of HKD30,000,000 (equivalent to RMB26,874,000) was overdue as at 31 December 2019.

During the six months ended 30 June 2020, total principal amount of HKD19,000,000 (equivalent to RMB16,977,000) has been settled.

During the six months ended 30 June 2020, the management of the Company has received confirmations in the form of written document or email from the majority of Bondholders A of the Fourth CB agreeing to further delay the maturity date to 30 June 2020.

As at 30 June 2020, total principal amount and accrued interest of HKD545,250,000 (equivalent to RMB498,031,000) was due.

Total principal amount of HKD195,250,000 (equivalent to RMB178,341,000) has been settled in cash subsequent to the end of the reporting period. Total outstanding principal amount of HKD350,000,000 (equivalent to RMB319,690,000) was overdue on the date of approval of these interim condensed consolidated financial statements. As at the date of approval of these interim condensed consolidated financial statements, the management of the Company is negotiating with the remaining individual bondholder A for the extension.

(e). The borrowing balances of HKD189,690,000 previously converted from the Fifth CB (as defined and detailed in Note 45(e) in the annual report of 2018) subscribed by True Bold upon maturity in 2017 was scheduled to be settled in the following way, according to the amendment agreement dated 29 June 2018:

(i) amount of HKD54,690,000 will be repaid before the year ended 31 December 2018; and

(ii) amount of HKD135,000,000 will be repaid before the year ended 31 December 2019.

Such balance was secured and guaranteed, carried fixed interest rate of 10% per annum.

25. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

During the six months ended 30 June 2020, total principal amount of HKD1,000,000 (equivalent to RMB913,000) was settled.

Total principal amount of HKD9,000,000 (equivalent to RMB8,221,000) has been settled in cash subsequent to the end of the reporting period and up to the date of approval of these interim condensed consolidated financial statements.

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

(f). The balance of RMB490,000,000 was advanced from JIC Trust Co., Ltd* (中建投信託有限公司) (referred as "JIC"), which was secured and carried fixed interest of 10.5% per annum. Such borrowing had been overdue on 16 August 2019 and was included in the current liabilities. JIC lodged a litigation against the Group during the year ended 31 December 2019 and subsequently the Group received the first-instance judgement from Zhejiang High Court in January 2020. Further details were set out in Note 34.

The management of the Company is under negotiation with the management of JIC and seeking for further extension.

(g). The balances of RMB33,484,000 in relation to the consideration received in advance, which was secured by the Group's equity interest in Jiangsu Changshun and Nine Disposal Entities and guaranteed by the Company, carried fixed interest rate of 9% per annum, as detailed in Note 32 (iii) in the annual report of 2017.

This balance was overdue and was included in the current liabilities as at 30 June 2020 and 31 December 2019. The management of the Company is under negotiation with the management of Chongqing Future and seeking for further extension.

(h). Included in the current liabilities as at 30 June 2020 were borrowings in relation to the solar power generation business with principal amounts of RMB90,777,000. The management of the Company assessed these overdue balances were held by the subsidiaries holding the solar power plants in the PRC, the bank and other borrowings held by these entities will be eventually assumed by the purchasers according to the relevant sale and purchase agreements.

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

(i). Included in the current liabilities as at 30 June 2020 were borrowings in relation to the business of manufacturing and sales of LED Product with principal amounts of RMB22,000,000 overdue. Up to the date of approval of these interim condensed consolidated financial statements, the overdue principal amounts were increased to RMB30,000,000.

The management of the Company is under negotiation with relevant lenders and seeking for further extension.

(j). In addition, balance of current liabilities as at 30 June 2020 also included bank and other borrowings with a carrying amount of RMB1,856,484,000 (31 December 2019: RMB514,066,000), of which certain loan covenants had been breached. On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the borrowings with the relevant creditors. As at 30 June 2020, those negotiations had not been concluded. Since the lenders have not yet agreed to waive its right to demand immediate payment as at the end of the reporting period, the respective borrowings have been classified as current liabilities, accordingly.

(k). The amounts due within one year were classified to scheduled repayment dates set out in the loan agreements or supplementary extension agreement, and included the balances which had been overdue.

* English name is for identification purpose only

25. BANK AND OTHER BORROWINGS (Continued)

The ranges of effective interest rate of the Group's interest-bearing borrowings are as follows:

	30 June 2020	31 December 2019
Effective interest rate:		
Fixed rate borrowings	**3.00% to 15.00%**	3.00% to 11.00%
Variable rate borrowings	**3.85% to 8.00%**	3.85% to 8.20%

At 30 June 2020 and 31 December 2019, the Group had variable-rate borrowings which carried interest based on the benchmark interest rate issued by the PBOC. Interest was reset every one month, three months or one year.

26. DERIVATIVE FINANCIAL LIABILITIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Warrants liabilities arising from acquisition of Lattice Power Group	**4,785**	6,078

Warrants liabilities arising from acquisition of Lattice Power Group

In connection with the acquisition of Lattice Power Group by the Group, the Company and certain existing shareholders of Lattice Power Corporation entered into a warrants subscription agreement pursuant to which Lattice Power Group agreed to issue, and the Company and certain existing shareholders of Lattice Power Corporation agreed to subscribe for the Series E Warrants convertible into 84,149,220 and 21,980,142 shares of Lattice Power Corporation at a nominal consideration of USD0.001 per share respectively, exercisable at the discretion of the Company and certain existing shareholders of Lattice Power Corporation.

The exercise price for the Series E Warrants shall be HKD41.56 (equivalent to RMB37.96 (31 December 2019: RMB37.39)) per share, subject to adjustment in the event of changes in the number of shares of Lattice Power Corporation by reason of share dividends, splits, recapitalisations, reclassifications, combinations or exchanges of shares, separations, reorganisations or liquidations. The Series E Warrants shall be exercisable, in whole or in part, during the term from 6 August 2015 to 5 August 2025 and was therefore classified as current liabilities, accordingly.

26. DERIVATIVE FINANCIAL LIABILITIES (Continued)

Warrants liabilities arising from acquisition of Lattice Power Group (Continued)

Series E Warrants are financial liabilities classified and designated as at FVTPL on initial recognition. The fair values of the Series E Warrants were calculated using the Binomial model. The inputs into the model on 30 June 2020 and 31 December 2019 were as follows:

Valuation date	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Applicable share value (RMB)	**19.75**	19.33
Exercise price (RMB)	**37.96**	37.39
Expected volatility	**48.72%**	49.60%
Expected life	**5.1 years**	5.6 years
Risk-free rate	**2.6%**	3.19%
Expected dividend yield	**0.00%**	0.00%

The applicable share value was estimated based on the estimated share value of Lattice Power Corporation. Expected volatility was determined by using the average annualised historical stock price volatilities of comparable companies as of the valuation date.

During the six months ended 30 June 2020, gain on change in fair value of RMB1,293,000 in respect of these warrant liabilities was recognised in "other gain and losses" in profit or loss (six months ended 30 June 2019: loss of RMB2,742,000).

27. CONVERTIBLE BONDS

(a) First CB (as defined below)

On 28 February 2013, the Company issued zero-coupon convertible bonds at par to Peace Link, with principal amount of HKD449,400,000 (equivalent to RMB356,660,000) ("First CB"). The First CB was designated as FVTPL upon initial recognition on 28 February 2013, which was subsequently measured at fair value with changes in fair value recognised in profit or loss till the date of modification of terms on 19 September 2013. Please refer to the annual report of 2019 for details.

The movements of the components of First CB during six months ended 30 June 2020 and 2019 are set out below:

	Liability component at amortised cost RMB'000	**Convertible bonds equity reserve** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2019 (Audited)	50,176	677,128	727,304
Effective interest expense charged for the period	4,762	—	4,762
At 30 June 2019 (Unaudited)	54,938	677,128	732,066
Effective interest expense charged for the period	5,441	—	5,441
At 31 December 2019 (Audited)	60,379	677,128	737,507
Effective interest expense charged for the period	6,050	—	6,050
At 30 June 2020 (Unaudited)	66,429	677,128	743,557

As at 30 June 2020, the First CB of RMB35,666,000 (31 December 2019: RMB35,666,000) was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 10% (31 December 2019: 10%) of the First CB on demand.

27. CONVERTIBLE BONDS (Continued)

(b) Second CB (as defined below)

On 19 August 2013, the Company issued convertible bonds at par to Peace Link with principal amount of HKD930,500,000 (equivalent to RMB738,492,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Second CB"). Please refer to the annual report of 2019 for details.

The components of the Second CB are set out below:

	Liability component at amortised cost	Convertible bonds equity reserve	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2019, 31 December 2019 and 30 June 2020	371,825	118,469	490,294

As at 30 June 2020 and 31 December 2019, the Second CB of RMB1,710,000 was classified as current liability as the early redemption option gives the holder the right (except for Peace Link has waived such right as detailed below) to require the Company to redeem up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

Meanwhile, as at 30 June 2020 and 31 December 2019, the Second CB of RMB370,115,000 was classified as non-current liability as the Group has obtained intention letter from Peace Link, one of the convertible bondholders of the Second CB, which expressed its consent not to exercise the right to early redemption for a period of 12 months from the end of the reporting period.

27. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below)

On 16 April 2014, the Company issued zero-coupon convertible bonds at par to Peace Link and other independent third parties with aggregate principal amount of HKD3,580,000,000 (equivalent to RMB2,841,270,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Third CB"). Please refer to the annual report of 2019 for details.

The movements of the components of the Third CB during the six months ended 30 June 2020 and 2019 are set out below:

	Liability component at amortised cost RMB'000	**Convertible bonds equity reserve** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2019 (Audited)	612,723	904,971	1,517,694
Effective interest expense charged for the period	61,613	—	61,613
At 30 June 2019 (Unaudited)	674,336	904,971	1,579,307
Effective interest expense charged for the period	47,568	—	47,568
Waiver of the Third CB held by Peace Link (Note (b))	(652,693)	(820,718)	(1,473,411)
At 31 December 2019 (Audited)	69,211	84,253	153,464
Effective interest expense charged for the period	7,000	—	7,000
At 30 June 2020 (Unaudited)	76,211	84,253	160,464

Notes:

(a) Subsequently on 1 September 2014, each of the Third CB holders issued a commitment confirmation letter to the Company individually and confirmed that they would not exercise the early redemption right but retain the share conversion right till the Third CB Maturity Date. A deed of undertaking had also been subsequently drawn up and entered into by each of the Third CB holders confirming that all of them hereby irrevocably undertook to the Company that they would comply with the terms of the commitment confirmation letter, with effect from 1 September 2014.

Upon receipt of the commitment confirmation letter and the deed of undertaking from each of the Third CB holders on 1 September 2014, the directors of the Company considered that the expected future cash flows of the Third CB had been changed and the original estimate of the amortisation period on the basis of the earliest date on which the entity can be required to pay (i.e., for a shorter period of 1 year and 5 years for the 20% and the remaining 80% of the aggregate amount of the Third CB, respectively) was no longer appropriate, and revised the estimate of the amortisation period till Third CB Maturity Date (i.e., for a period of 10 years) accordingly.

The liability component of the Third CB was therefore re-measured on 1 September 2014 by discounting the revised estimated cash flows at the Third CB's original effective interest rate, and resulted in a change in carrying amount of the liability component of the Third CB by RMB992,024,000, which required the adjustment to be recognised in the profit or loss for the year ended 31 December 2014 in accordance with IAS 39.

27. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below) (Continued)

Notes: (Continued)

(b) In 2019, Peace Link, one of the bondholders and a company beneficially owned by Mr. Cheng, has entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link, conditional upon completion of the disposal of the Disposal Group, agreed to waive the repayment and redemption obligations of the Company in respect of principal amount of HKD1,948,000,000 (equivalent to RMB1,546,032,000) of the Third CB held by Peace Link for no consideration. The Third CB originally will be matured on 15 April 2024. The waiver of the Third CB had became effective since 14 October 2019.

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

(c) The balance represented the remaining principal balance of HKD200 million of the Third CB held by Mr. Cheng.

(d) Fourth CB (as defined below)

On 16 June 2014, the Company issued convertible bonds at par to independent third parties with aggregate principal amount of HKD2,137,230,000 (equivalent to RMB1,696,214,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Fourth CB"). Please refer to the annual report of 2019 for details.

The movements of the components of the Fourth CB are set out below:

	Liability component at amortised cost RMB'000	**Convertible bonds equity reserve** RMB'000	**Total** RMB'000
At 1 January 2019 (Audited)	644,496	329,922	974,418
Effective interest expense charged for the period	58,575	—	58,575
Follow up arrangement included:			
Coupon interest paid during the period	(13,786)	—	(13,786)
Reclassification/Settlement upon Maturity Date (as detailed in Note (c) below)	(644,047)	(329,922)	(973,969)
At 30 June 2019 (Unaudited)	45,238	—	45,238
Settlement upon Maturity Date (as detailed in Note (c) below)	(45,238)	—	(45,238)
At 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	—	—	—

27. CONVERTIBLE BONDS (Continued)

(d) Fourth CB (as defined below) (Continued)

During the six months ended 30 June 2019, the outstanding principal sum of HKD868,500,000 (equivalent to RMB689,285,000) with 21 bondholders (who are independent third parties of, and not connected with the Company) of the Fourth CB, together with the unpaid interest of HKD17,370,000 (equivalent to RMB13,786,000), totaling HKD885,870,000 (equivalent to RMB703,071,000) was matured on 15 June 2019 ("Maturity Date"). The follow up arrangement are set out as follows:

(a) The Company has fully paid the entire outstanding interest payable of HKD17,370,000 (equivalent to RMB15,294,000) to all bondholders on Maturity Date.

(b) In respect of outstanding principal balance of HKD828,500,000 (equivalent to RMB657,540,000), the Company entered into loan agreements and settlement agreements with 19 bondholders (the "Bondholders A") on 15 June 2019 for the extension of aggregated unpaid principal of totalling HKD564,250,000 (equivalent to RMB496,800,000) with an annual interest rate of 4.0% to 20 December 2019, and all the rights under the original terms and conditions in relation to the Fourth CB and any interests payable to Bondholders A will be waived by the Company. Upon the follow up agreements, the Company has repaid Bondholders A with principal amount of HKD217,250,000 (equivalent to RMB191,280,000) during the six months ended 30 June 2019. The remaining principal amount of HKD47,000,000 (equivalent to RMB37,302,000) was settled prior to 31 December 2019.

(c) In respect of outstanding principal balance of HKD40,000,000 (equivalent to RMB31,745,000), the Company agreed to repay the outstanding Fourth CB in full to the remaining 2 bondholders (the "Bondholders B") upon Maturity Date and has repaid in full to one of the Bondholders B with principal amount of HKD30,000,000 (equivalent to RMB26,414,000) during the six months ended 30 June 2019. The remaining outstanding principal balance of HKD10,000,000 (equivalent to RMB7,936,000) was settled prior to 31 December 2019.

27. CONVERTIBLE BONDS (Continued)

(d) Fourth CB (as defined below) (Continued)

The follow up arrangement of the Fourth CB are set out below:

	Principal		Coupon interest payable		Total	
	HKD'000 (Original currency)	RMB'000 (RMB equivalent)	HKD'000 (Original currency)	RMB'000 (RMB equivalent)	HKD'000 (Original currency)	RMB'000 (RMB equivalent)
Total amount outstanding on Maturity Date	868,500	689,285	17,370	13,786	885,870	703,071
Bondholders A	828,500	657,540	16,570	13,151	845,070	670,691
Bondholders B	40,000	31,745	800	635	40,800	32,380
Less: reclassify to other borrowings	(564,250)	(496,800)	—	—	(564,250)	(496,800)
Bondholders A	(564,250)	(496,800)	—	—	(564,250)	(496,800)
Bondholders B	—	—	—	—	—	—
Less: amount paid to bondholders	(247,250)	(217,694)	(17,370)	(15,294)	(264,620)	(232,988)
Bondholders A	(217,250)	(191,280)	(16,570)	(14,590)	(233,820)	(205,870)
Bondholders B	(30,000)	(26,414)	(800)	(704)	(30,800)	(27,118)
Exchange realignment	—	70,447	—	1,508	—	71,955
Unpaid and overdue of the Fourth CB as at 30 June 2019 (Unaudited)	57,000	45,238	—	—	57,000	45,238
Bondholders A	47,000	37,302	—	—	47,000	37,302
Bondholders B	10,000	7,936	—	—	10,000	7,936
Less: amount paid to bondholders	(57,000)	(45,238)	—	—	(57,000)	(45,238)
Bondholders A	(47,000)	(37,302)	—	—	(47,000)	(37,302)
Bondholders B	(10,000)	(7,936)	—	—	(10,000)	(7,936)
Total amount as at 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	—	—	—	—	—	—

27. CONVERTIBLE BONDS (Continued)

Liability components in respect of all the convertible bonds issued by the Company analysed for reporting purpose as:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within one year classified as current liabilities	**37,376**	37,376
In more than one year but not more than two years	**370,115**	370,115
In more than two years but not more than five years	**106,974**	93,924
Total non-current liabilities	**477,089**	464,039
	514,465	501,415

28. BOND PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed for reporting purpose:		
Current liabilities	**825,709**	824,778

The proceeds from the bonds payable issued was used to finance the acquisition of property, plant and equipment, capital expenditure on solar power plants, and to fund working capital for general operation.

2015 Corporate Bond

On 10 November 2015, Shunfeng Investment, a subsidiary of the Group, issued a 3-year corporate bond at par to certain independent third parties in the principal amount of RMB550,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.8% per annum, and with the maturity date on 10 November 2018.

On 10 November 2018, the outstanding principal sum of RMB550,000,000 of the 3-year corporate bond, together with the unpaid interest of RMB42,900,000, totalling RMB592,900,000 was matured, and the Group had repaid all interest of RMB42,900,000 to the bondholders. In addition, the Group had entered into a supplementary agreement with the bondholders, to extend the maturity date of the corporate bond to 9 November 2019, carried fixed interest rate of 7.8%.

As at 30 June 2020, the outstanding principal of RMB550,000,000 and unpaid interest of RMB70,403,000 have been overdue.

28. BOND PAYABLES (Continued)

2015 Corporate Bond (Continued)

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

2016 Corporate Bond

In addition, on 22 June 2016, Shunfeng Investment issued a 2-year corporate bond at par to certain independent third parties in the principal amount of RMB450,000,000 and to Wuxi Suntech Power Co., Ltd, another subsidiary of the Group, in the principal amount of RMB50,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.7% per annum, and with the maturity date on 22 June 2018. During the year ended 31 December 2017, principal amount of RMB20,000,000 of the corporate bond held by Wuxi Suntech Power Co., Ltd was transferred at par value to an independent financial institution.

On 22 June 2018, the outstanding principal sum of RMB500,000,000 of the 2-year corporate bond, together with the unpaid interest of RMB38,500,000, totalling RMB538,500,000 was matured. The Group had repaid an aggregate settlement of RMB194,500,000 (including the principal sum of RMB156,000,000 and interest of RMB38,500,000). Then the Group had entered into a supplementary agreement with the bondholder during the year ended 31 December 2018 and had agreed with the bondholder by the following ways of settlement:

— the repayment date of RMB60,000,000 of the principal is extended to 22 September 2018;

— the repayment date of RMB284,000,000 of the principal is extended to 22 March 2019.

During the year ended 31 December 2018, the first instalment of RMB60,000,000 was fully settled subsequent to the extension. During the year ended 31 December 2019, only partial settlement in the principal amount of RMB8,537,000 and interest of RMB11,463,000 in respect of the second instalment was made by the Group. The Group and the bondholder had entered into another supplementary agreement dated 25 April 2019 to further extend the due dates to 25 April 2020.

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

The outstanding principal of RMB275,463,000 carried interest rate of 7.7% per annum and was secured by a security deposit of RMB107,000,000 (31 December 2019: RMB107,000,000) as at 30 June 2020, as detailed in Note 19(v) and the interest of RMB32,034,000 was still outstanding as at 30 June 2020 (31 December 2019: RMB21,458,000) and had been overdue.

As at the date of approval of these interim condensed consolidated financial statements, the outstanding principal of RMB275,463,000 and unpaid interest of RMB35,637,000 have been overdue.

29. SHARE CAPITAL

	Number of shares	Amount HKD
Authorised		
At 1 January 2019, 31 December 2019 and 30 June 2020 — Ordinary shares of HKD0.01 each	10,000,000,000	100,000,000

	Number of shares	Amount HKD
Issued and fully paid		
At 1 January 2019 (Audited), 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	4,982,375,490	49,823,755

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Presented	**40,756**	40,756

30. DISPOSAL OF SUBSIDIARIES

As referred to in Note 18, the Group completed the disposal of the 11 Target Companies during the six months ended 30 June 2020. The net assets of the 11 Target Companies at the respective disposal dates were as follows:

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

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

The transitional period audit and certain remedial steps have been commenced and progressed positively, and as at 30 June 2020, the transitional period audit of 10 entities has been completed and the remaining 1 entity is completed in July 2020. The management expects the remedial steps for the 11 Target Companies will be substantially completed prior to February 2021.

31. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of Lattice Power Group:

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

On 6 August 2015, the date on which Lattice Power Group was acquired by the Group, pursuant to the agreement entered into between the Company and the ESOP Sellers, the Company acquired from the ESOP Sellers 14,280,000 common shares of Lattice Power Corporation, which were converted from 51% of the outstanding options granted (the "51% ESOP Completion").

The 2006 ESOP was terminated prior to the 51% ESOP Completion but the remaining 49% of the outstanding options, with a total number of 13,720,000 convertible shares in accordance with the original terms according to the 2006 ESOP would continue to be valid after the 51% ESOP Completion ("49% Outstanding Options").

Exercise Price

The exercise price varies depend on the time period when the options were granted:

	From June 2007 to January 2010	From March 2010 to July 2011	From November 2011 to December 2013	From January 2015 to April 2015
Exercise price	USD0.20	USD0.50	USD1.00	USD1.05

Vesting Schedule

Subject to the participant's continued status as employees through each of the applicable vesting dates and to the extent permitted by applicable law, the options are exercisable, in whole or in part, in accordance with the following schedule:

The full vesting period is 4 years since the vesting commencement date. Twenty five percent of the option shall vest on the one year anniversary of the vesting commencement date, and 1/48 of the shares shall vest each month thereafter on the same day of the month as the vesting commencement date, subject to participant continuing to be an employee through each vesting date.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

Vesting Schedule (Continued)

As at 6 August 2015, 4,391,694 options were vested and 9,328,306 options were unvested. The vesting periods of the unvested options are from 7 August 2015 to 30 April 2019.

The exercise periods range from 1 July 2020 to 29 April 2025 and from 1 January 2020 to 29 April 2025 for the options outstanding as at 30 June 2020 and 31 December 2019 respectively. The weighted average remaining contractual terms of options outstanding as at 4.83 years (31 December 2019: 5.33 years).

Upon termination as employees (except as provided below), the maximum time to exercise option is 3 months after termination. Upon termination as employees due to disability or death, the maximum time to exercise option is 12 months after termination. The option may only be exercised to shares that have vested as of the date of the participant's termination as a service provider and in no event may the option be exercised after the expiration date. It is the participant's responsibility to exercise the option, if the participant so desires, before it expires or terminates.

The following table discloses movements of the 49% Outstanding Options for the six months ended 30 June 2020 and from 6 August 2015 (date of the Group's acquisition of Lattice Power Group) to 30 June 2020:

	Number of options	Weighted average exercise price per option
Outstanding on 6 August 2015	13,720,000	USD0.93
Exercised	1,960	USD0.52
Outstanding on 31 December 2016, 2017, 2018 and 2019 and 30 June 2020	13,718,040	USD0.93
Exercisable on 31 December 2016	7,857,279	USD0.78
Exercisable on 31 December 2017	10,546,927	USD0.85
Exercisable on 31 December 2018	12,750,037	USD0.88
Exercisable on 31 December 2019	13,718,040	USD0.90
Exercisable on 30 June 2020	13,718,040	USD0.93

As at 6 August 2015, the outstanding share-based payment transactions of Lattice Power Corporation are not exchanged by the Group and are measured at their market-based measure at the acquisition date.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

These fair values on 6 August 2015 were calculated using the Binomial model. The inputs into the model were as follows:

	Remeasurement of vested portion	Remeasurement of unvested portion
Applicable share value	RMB30.92	RMB30.92
Exercise price	USD0.20–USD1.05	USD1.00–USD1.05
Expected volatility	49.82%–56.49%	51.73%–56.49%
Expected life	1.82–9.73 years	6.24–9.73 years
Risk-free rate	2.53%–3.43%	3.31%–3.43%
Expected dividend yield	0.00%	0.00%
Expected forfeiture rate	0.00%	0.00%
Total fair value on 6 August 2015	RMB76,402,000	RMB235,295,000

The applicable share value was estimated based on the acquisition share price of Lattice Power Corporation.

Expected volatility was determined by using the average of industry annualised historical stock price volatilities as at 6 August 2015. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The estimations on expected dividend yield and forfeiture rate are based on the historical experience of Lattice Power Corporation.

The fair value of vested portion amounting to RMB76,402,000 are included as part of the non-controlling interest in Lattice Power Corporation. The market-based measure of the unvested portion of RMB34,977,000 is allocated to the non-controlling interest in Lattice Power Corporation based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance of RMB200,318,000 in respect of the unvested portion will be recognised as remuneration cost for post-combination service.

The Group recognised total share-based payment expense of RMB9,934,000 for the six months ended 30 June 2019 in relation to the options granted by Lattice Power Corporation.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate as assisted by an independent professional valuer.

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised costs (except for liability component of the convertible bonds as described below) recognised in these interim condensed consolidated financial statements approximate their fair values.

	30 June 2020		31 December 2019	
	Carrying amount RMB'000 (Unaudited)	**Fair value RMB'000 (Unaudited)**	Carrying amount RMB'000 (Audited)	Fair value RMB'000 (Audited)
Liability component of convertible bonds	**514,465**	**322,212**	501,415	318,058

The fair value of the liability component of convertible bonds as at 30 June 2020 and 31 December 2019 is under level 3 category and was determined by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair value of the liability component of convertible bonds is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bonds and discount rate that reflected the credit risk of the Company.

Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial items	**Classified as**	**Fair value as at**		**Fair value hierarchy**	**Basis of fair value measurement/ valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000				
Unlisted equity investments classified as financial assets at FVTPL	Financial assets at FVTPL	**3,096**	3,096	Level 3	Market approach the value is based upon what investors are paying for similar assets or securities in the market place	Market multiples	The higher the market multiples, the higher the fair value
Receivables at FVTOCI	Financial assets at FVTOCI	**15,812**	17,069	Level 2	Income approach — in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables	Discount rate	The higher the discount rate, the lower the fair value
Warrants liabilities arising from acquisition of Lattice Power Group (Note)	Derivative financial liabilities	**(4,785)**	(6,078)	Level 3	Binomial model	Volatility	Note

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis (Continued)

Note: An increase in the volatility used in isolation would result in an increase in the fair value measurement of the warrants liabilities, and vice versa. A 10% increase or decrease in the volatility holding all other variables constant would increase or decrease the carrying amount of the warrants liabilities by RMB2,141,000 (31 December 2019: RMB2,354,000) and RMB1,775,000 (31 December 2019: RMB2,048,000) respectively.

The following table represents the changes in Level 3 derivative financial instruments during the six months ended 30 June 2020 and 2019.

	Warrants Liabilities arising from previous acquisition of Lattice Power Group RMB'000	**Unlisted equity investments classified as financial assets at FVTPL** RMB'000
(Liabilities)/Assets at 1 January 2019 (Audited)	(3,336)	3,096
Total loss recognised in profit or loss included in other gains and losses	(2,742)	—
(Liabilities)/Assets at 30 June 2019 (Unaudited)	(6,078)	3,096
(Liabilities)/Assets at 1 January 2020 (Audited)	(6,078)	3,096
Total gain recognised in profit or loss included in other gains and losses	1,293	—
(Liabilities)/Assets at 30 June 2020 (Unaudited)	(4,785)	3,096

33. RELATED PARTY DISCLOSURES

(a) Related party transactions

Save as disclosed elsewhere in these interim condensed consolidated financial statements, the Group had also entered into the following related party transactions during the six months ended 2020 and 2019.

			Six months ended 30 June	
Name of related parties	Relationship	Nature of transactions	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
meteocontrol Electric Power	Note (i)	Solar power plant operation and maintenance services charges	–	49,404
Suntech South Africa	Note (ii)	Sales of solar products	–	281,939
Tiancheng International Auctioneer Limited ("Tiancheng International") ("天成國際拍賣有限公司")	Note (iii)	Interest expense on lease liabilities	6	143
Shunfeng New Energy	Note (iv)	Sales of solar products	–	2,492
		Purchase of solar products	–	117,170
		Rental income	–	2,969
Wuxi Suntech	Note (v)	Sales of power generation	650	–
Wuxi University Science Park International Incubator Co., Ltd# ("Wuxi Incubator") ("無錫大學科技園國際孵化器有限公司")	Note (v)	Utility	19	–
Jiangsu Shunfeng	Note (v)	Interest expense	1,425	–
Changzhou Shunfeng Photovoltaic Materials Co., Ltd# ("Changzhou Materials") ("常州順風光電材料有限公司")	Note (v)	Interest expense	2,138	–

Notes:

(i) The management considers meteocontrol Electric Power is a related party as it is accounted for as an associate of the Group as at 30 June 2019. This company was established by the Group and one of its senior management during the year ended 31 December 2016.

(ii) This entity was established by the Disposal Group and the other independent third party during the year ended 31 December 2019. The management considers Suntech South Africa is a related party as it is accounted for a joint venture of the Disposal Group.

(iii) The management considers Tiancheng International is a related party as it is 100% owned by Ms. Zheng Yan, who is the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company).

(iv) This entity was established by the Disposal Group and the other independent third party during the year ended 31 December 2018. The management considers Shunfeng New Energy was a related party as it is accounted for as a joint venture of the Disposal Group.

(v) The management considers Wuxi Suntech, Wuxi Incubator, Jiangsu Shunfeng and Changzhou Material are related parties of the Group as they are previously held by the Disposal Group of which, currently held by Asia Pacific Resources, an entity wholly owned and controlled by Mr. Cheng, a substantial shareholder of the Company.

* English name is for identification purpose only

33. RELATED PARTY DISCLOSURES (Continued)

(b) Related party balances

Save as disclosed elsewhere in these interim condensed consolidated financial statements, the Group had the following significant outstanding balances with related parties as at 30 June 2020 and 31 December 2019:

Name of related parties	Name of balance	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Tiancheng International	Lease liabilities	**—**	1,139

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the six months ended 30 June 2020 and 2019 was as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Basic salaries and allowances	**2,365**	3,097
Performance — related incentive bonuses	**—**	200
Retirement benefits scheme contributions	**11**	59
	2,376	3,356

The remuneration of directors and key executives is determined with reference to the performance of individuals and market trends.

34. CONTINGENT LIABILITIES AND MAJOR LITIGATION

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guarantees provided to financial institutions in respect of banking facilities to independent third parties:		
Total guaranteed amounts	**289,178**	307,100
Less: Amounts provided as financial guarantee contracts (Note 24)	**(194,178)**	(177,100)
Unprovided amounts	**95,000**	130,000

Litigation lodged by Xinxi Chanye (as defined below) against the Group

On 19 July 2019, Xinxi Chanye Electronics No.11 Design and Research Technology Construction Co., Ltd.* (訊息產業電子第十一設計研究院科技工程股份有限公司) ("Xinxi Chanye") lodged a litigation against two subsidiaries of the Group, which are wholly owned subsidiaries of the Group, for the delay in payment of EPC payables, which was guaranteed by Jiangxi Shunfeng, a wholly owned subsidiary of the Group. The relevant EPC payables amounting to RMB28,872,000 and had been recorded as trade and other payables of the Group. An application of property preservation was submitted to the court and accordingly, the equity interests of certain entities included in the 11 Target Companies, assets and liabilities of which were all classified as held for sale in Note 18 including Hami Hengxin, Hami Junxin, Hami Tianhong, Hami Yixin, Jinchang Zhongke, Pingluo Zhongdianke and Shangde (Hami) are put under freezing orders as a result of the contractual dispute between the Group and Xinxi Chanye. The Group and Xinxi Changye entered into a settlement agreement on 2 December 2019, pursuant to which the Group will repay the EPC payables upon the collection of proceeds from the Disposal of the 11 Target Companies, the first Tranche of the Dividends Payment and Relevant Payables and Xinxi Chanye has made the applications for the release of the freezing orders imposed. As at 31 December 2019, the management of the Company has completed the release of freezing orders of each of the relevant Target Companies.

Litigation lodged by JIC against the Group

In respect of the borrowing from JIC, an independent financial institution, of a principal balance of RMB490,000,000 which have been overdue on 16 August 2019. JIC lodged a litigation against the non-wholly owned subsidiary ("Non-wholly Owned Subsidiary") during the year ended 31 December 2019 and subsequently the Non-wholly Owned Subsidiary received the first-instance judgement from the High People's Court of Zhejiang in January 2020, requesting the Non-wholly Owned Subsidiary to repay the outstanding loan principal of RMB490,000,000, interest payable of RMB97,066,000 and penalty interest payable of RMB37,146,000, totalling RMB624,212,000 immediately. The Non-wholly Owned Subsidiary accepted the judgement and, apart from the principal balance of RMB490,000,000 included in "bank and other borrowings", and has also provided additional interest expenses of RMB55,586,000 and additional penalty interest of RMB37,146,000 for the year ended 31 December 2019 as "finance cost".

* English name is for identification purpose only

34. CONTINGENT LIABILITIES AND MAJOR LITIGATION (Continued)

Litigation lodged by JIC against the Group (Continued)

As at 30 June 2020, the principal balance due to JIC of RMB490,000,000, and interest payable of RMB123,077,000 and penalty interest payable of RMB54,278,000 had be recorded by the Group as "bank and other borrowings" and "other payables", respectively. Since the equity interest of the Non-Wholly Owned Subsidiary which owns and operates the solar power plant have been pledged to JIC, the management of the Company expects they will repay the outstanding loan principal, related interest payables and penalty interest payable from the proceed arising from the possible disposal of the entire equity interest of the relevant subsidiary which holds such solar power plant in the near future.

Litigation lodged by a construction company

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

35. EVENT AFTER THE REPORTING PERIOD

The disposal of 6 Target Companies

As detailed in Note 18, the shareholders have attended extraordinary general meeting dated 2 July 2020 and have approved, confirmed and ratified the disposal of 6 Target Companies. For more details, please refer to the announcement made by the Company on 2 July 2020.

Subsequent to the end of the reporting period and up to the date of approval of these interim condensed consolidated financial statements; registration for share transfer has been completed in respect of 6 Target Companies, and RMB114,751,000 has been paid by Zhengtai.

Connected Transaction with Tiancheng International

On 11 August 2020, Bank of China (Hong Kong) Limited ("Bank of China"), as landlord, entered into a property leasing agreement (the "Property Leasing Agreement") with Shunfeng Photovoltaic Holdings Limited ("Shunfeng Holdings"), a directly wholly-owned subsidiary of the Company, Tiancheng International, a connected person of the Company and Asia Pacific Resources, a company 100% owned by a substantial shareholder of the Company and therefore a connected person of the Company (collectively as the "Tenants").

Pursuant to the Property Leasing Agreement, Bank of China shall lease to the Tenants certain premises in Hong Kong for a term of 3 years commencing on 15 February 2020 and expiring on 14 February 2023. As a payment arrangement for administrative convenience, Shunfeng Holdings shall pay to Tiancheng International the rent at HKD293,873 per month, government rates, service and utility charges on a monthly basis, and Tiancheng International shall pay the relevant fees to Bank of China.

DEFINITIONS

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

"Board"	the board of director(s) of the Company
"Company", "we" or "us"	Shunfeng International Clean Energy Limited
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Euro"	Euro, the lawful currency of the member states of European Union
"Group"	the Company and its subsidiaries
"GW"	gigawatt, which equals to one billion watt
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"LED"	light-emitting diode
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MW"	megawatt, which equals to one million watt
"MWh"	megawatt hour
"Period"	six months ended 30 June 2020
"PRC" or "China"	the People's Republic of China
"PV"	Photovoltaic
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Wuxi Suntech"	Wuxi Suntech Power Co., Ltd.