BE THE Solution

NOT THE Pollution

ANNUAL REPORT 2019

中聖集團
SUNPOWER GROUP LTD.

CORPORATE PROFILE

Sunpower Group Ltd. (SGX stock code: 5GD.SI) is an environmental protection specialist that provides energy saving and environmental protection solutions using proprietary clean energy technologies. It was founded in 1997 and listed on the Singapore Stock Exchange in 2005. It has two main businesses - Green Investments (GI) and Manufacturing & Services (M&S).

The GI segment is Sunpower's primary value creator and growth driver that generates long-term, high-quality, recurring income and cash flows. GI is well-positioned to capture the enormous potential of China's anti-smog services sector by investing in, developing and operating environmentally-friendly centralised plants that supply steam to industrial parks, sell electricity to the State Grid and provide heating to residential households on long-term (typically 30 years) exclusive supply concessions. Sunpower is on track to build a valuable and sizeable portfolio of GI projects that generates attractive double-digit Internal Rates of Return (IRR) and a high Net Present Value (NPV) of future cashflows.

The M&S segment provides a variety of high-end customised environmental protection products and solutions to a diverse customer base of over 1,500 companies in 30 countries. 70% of the customer base are repeat customers. They include reputable industry leaders such as BASF, BP, Shell, SABIC, Dow Inc, Alcoa, ExxonMobil, China Petrochemical Corporation (SINOPEC), China National Petroleum Corporation (CNPC), China National Offshore Oil Corporation (CNOOC), China Shenhua, Wanhua Chemical, Hengli Petrochemical and many more.

KEY AWARDS AND ACCREDITATIONS

2019
The Deloitte Best Managed Company Award in China

2019
China Energy Group Top 500 List

2019
High Growth and Innovation Enterprises of South Jiangsu

2019
Jiangsu Outstanding Entrepreneur

2018
EY Entrepreneur of the Year™ China

2018
Science and Technology Progress Award - Ministry of Education

2018
China Petrochemical Group Science and Technology Progress Award - China Petrochemical Corporation

2016
Quality Engineering Award - China Petrochemical Corporation

2013
China's Top 10 Chemical Heat Transfer Equipment Enterprises

2012
China Renowned Trademark - State Administration for Industry & Commerce, PRC

2012
National Torch Plan High New Technology Enterprise - Ministry of Science and Technology, PRC

2010
Technology Innovation Achievement Award - China Association for Quality

2017
Top 100 Suppliers in the Petrochemical Industry of China

2017
Science and Technology Progress Award - China Petroleum and Chemical Industry Association

SUNPOWER GROUP
ANNUAL REPORT 2019

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GREEN INVESTMENTS (GI)

Sunpower's medium-to-long term vision and strategy is to create value by building a sizeable portfolio of GI projects which generates long-term, recurring and high-quality cashflows as its primary value creator and growth driver. Its centralised GI plants are exclusive suppliers of steam to industrial users and heating to residential users within their coverage areas, via long-term concession agreements (typically 30 years) which it has the first right to renew.

ENORMOUS GROWTH OPPORTUNITIES FOR GI IN CHINA'S ANTI-SMOG SECTOR

China has taken decisive action to reduce air pollution through public policies that target the elimination of decentralised high-emission pollutive boilers identified as one of the biggest sources of smog. Instead, centralised environmentally-friendly solutions such as Sunpower's GI projects are encouraged as a replacement, thus providing immediate and enormous opportunities for the Group to invest in and operate assets that can bring long-term, high-quality income and cashflow.

Additionally, stringent zoning policies that mandate the relocation of new and existing factories into industrial parks and organic expansion of customers within the industrial parks also provide further growth impetus to GI.

Management recognised the opportunity early on and Sunpower took substantial and timely steps to secure the opportunity by raising capital and identifying attractive projects to invest in. As a result, Sunpower has enjoyed an early-mover position in securing the best projects, a position that still stands today.

SUNPOWER HAS CREATED A RELIABLE & ADAPTABLE BUSINESS MODEL WITH UNIQUE COMPETITIVE ADVANTAGES FOR GI

Expansion into GI is a natural strategy for Sunpower, as it merges the Group's advanced proprietary technologies and management's expertise and experience into GI's business model. This business model has established a strong competitive moat for the Group, allowing projects to gain attractive double-digit project IRR and long-term, recurring and high-quality income and cash flows.

Structural growth drivers stem from need to sustainably resolve air pollution

The expansion of GI is aligned with the national policies. The growth of the GI business is underpinned by structural growth drivers that are long-term and sustainable in nature, namely the nationwide push to reduce air pollution in order to improve the lives of all Chinese citizens and for China as a country to be a responsible citizen of the world.

Exclusive supplier of steam to factories within industrial parks

Holding long-term concession agreements of typically 30 years (with first right to renew) to be the only supplier of steam, a non-discretionary production input, Sunpower is able to require cash payments from its captive customers in advance. This long-term cashflow is a funding source for further GI expansion and allows Gi projects to achieve rapid investment payback.

Proprietary technologies lower costs, raise efficiency and entry barriers

Sunpower's energy-saving and long-distance steam distribution pipelines increase geographical reach to more customers, allowing quicker economies of scale to be achieved. The industry-leading ability to minimise temperature and pressure loss also helps to improve margins.

Circular Economy zero-waste model promotes sustained cost reduction

The Circular Economy is a closed-loop production model that cuts resource waste and pollution to a minimum through the re-using, repurposing and recycling of products and materials, which helps Sunpower to reduce cost whilst achieving ultra-low emissions for the industrial park where a GI plant is located.

SUNPOWER HAS CREATED A RELIABLE & ADAPTABLE BUSINESS MODEL WITH UNIQUE COMPETITIVE ADVANTAGES FOR GI

Sophisticated management with full interest alignment

Sunpower's management team is disciplined and experienced in project evaluation, thereby minimising risk of cost overruns. Their collective ownership in Sunpower is over 40%*.

* Before conversion of CBs, including ESOP.

Early mover advantage in GI business

With the benefit of these advantages, Sunpower enjoys an early-mover position in building up the GI business as its value creator and growth driver.

Long-term capital support from strategic investors

Two of the most experienced and respected PE funds in China have invested in US$180 million of convertible bonds (CBs), providing strong support for the long-term growth of GI.

Proven track record and leading position in GI sector

Sunpower's GI leap forward from 0 to 8 projects in operation and 1 project in trial production has taken less than 3 years after the issue of CB1. All GI projects are in line with or surpass the Company's double-digit IRR target. This has built a strong reputation for Sunpower and solidified its leading position in this sector.

Robust pipeline under evaluation that fuels continued expansion

Long-term growth prospects are secured by the availability of attractive projects for investment. Sunpower currently has a robust pipeline of projects in different stages of evaluation with a total value of over RMB3.2 billion.

SIZEABLE GI PROJECT PORTFOLIO ALREADY FORMS BULK OF SUNPOWER'S INTRINSIC VALUE [a]

The GI business sustained its rapid expansion in 2019 and continued to contribute the bulk of the Group's intrinsic value. With the GI business having contributed to revenue and profits for two full years now, Sunpower has grown into a company with long-term, recurring, high-quality income and cashflow. The GI portfolio is well-positioned to deliver an attractive double-digit project IRR and long-term, recurring, high-quality cash flows that are projected to be significantly higher than the latest reported period.[1]

[1] Based on the Group's long-term discounted cashflow forecasts

Projects In Operation and In Trial Production

Project	Steam/Heat Current Capacity[b]	Electricity Current Capacity[b]	Stake	Equity Investment (RMB million)
Changrun Project (Phase 1)	2×220 tons/hour (t/h)	2×25MW	100%	434.1
Yongxing Plant	2×100t/h+1×150t/h	2×18MW	100%	306.0
Xinyuan Plant	3×75t/h+1×220t/h	2×6MW+1×25MW	85%	85.0
Suyuan Plant	1×90t/h+2×75t/h	1×B7MW	90%	117.2
Lianshui Project	2×40 t/h	n.a	95%	38.3
Quanjiao Project	1×40 t/h	n.a	100%	49.2
Xintai Zhengda Project (old plant) [c]	n.a	n.a	79.2%	n.a
Jining Project [d]	n.a	n.a	49%	10.3
Shantou Project (Phase 1)	3×150t/h	2×20MW	51%	167.3

GI IS STILL RAMPING UP AND SUNPOWER IS ON TRACK TO INVEST RMB 2.5 BILLION IN EQUITY BY 2021

The existing GI projects in operation are still ramping up and Sunpower is still executing GI's future expansion. The Group has invested and committed approximately RMB1.7 billion in project equity to build up its GI portfolio to-date, and is on track to make project equity investments of RMB2.5 billion by 2021.

In addition to 8 projects in operation and 1 project in trial production, Sunpower has another 3 projects under construction and 3 more projects in the design phase as well as a robust pipeline under evaluation for investment or acquisition.

Update on GI Investments to-date

Status	Total Investments (RMB million) [4]	Equity Investment (RMB million)
In Operation	2,476.0	1,040.1
In Trial Production [1]	820.0	167.3
Under Construction [2]	1,900.0	502.8
Amount Invested and Committed	**5,196.0**	**1,710.2**
Others in Design Phase [3]	653.0	220.4
Pipeline	1,433.1	573.2
Total	**7,282.1**	**2,503.8**

Notes:

(a) Expressed as the Net Present Value ("NPV") of cash flows over the concession period that will be substantially higher than the latest contributions

(b) Steam capacity is expressed as number of boilers x tons per hour, while electricity capacity is number of generators x megawatt per hour

(c) Old plant is in operation and will remain operational until the commissioning of the new plant, which has a capacity of 3×130t/h of steam and 1×35MW+1×18MW of electricity

(d) Sunpower purchases the steam from an unrelated third-party supplier and distributes through its own pipelines, hence there is no production capacity

Notes: based on current estimates and forecasts

(1) Shantou Phase 1

(2) Including Tongshan Project Phase 1, assuming equity/debt of ~30%/70%

(3) Projects have been signed and are currently in the design phase

(4) Assuming ~40% equity/60% debt

Projects Under Construction

Project	Steam/Heat Designed Capacity	Electricity Designed Capacity	Stake	Equity Investment (RMB million)
Shantou Project (Phase 2)	2×260t/h	2×30MW	51%	132.6
Xintai Zhengda Project (new plant)	3×130t/h	1×35MW+1×18MW	79.2%	263.1
Tongshan Project (Phase 1)	1×130t/h	1×35MW	85%	107.1


Changrun Project


Yongxing Project


Xinyuan Project


Suyuan Plant


Lianshui Project


Quanjiao Project


Jining Project


Xintai Zhengda Project (old plant)

Sunpower's GI business supplies industrial steam to a wide range of diverse industries, such as chemical, printing & dyeing, paper making, F&B, building materials, pharmacy, paint, wood processing, chemical fertilisers, supported by structural demand. Additionally, it also provides pollution-free civil heating to a large base of households as well as electricity to the State Grid.

- Chemical
- Textile
- Printing & Dyeing
- Food
- Paper Making
- Paint Industry
- Pharmacy
- Leather
- Wood Processing
- Plastic Recycling
- Fodder
- Chemical Fertiliser
- Rubber
- and many more

GREEN INVESTMENTS

CHINA'S GREEN POLICY DRIVERS: HOW SUNPOWER BENEFITS

China's green drive has seen comprehensive environmental policies and measures introduced with strict enforcement. One of the biggest sources of smog is emissions from non-centralised high-emission coal-fired boilers that are indiscriminately used by industries. Sunpower's centralised ultra-low emission GI plants are an effective solution as just one GI plant is able to replace many small "dirty" coal boilers.

MAJOR POLICIES THAT BENEFIT SUNPOWER

Air Pollution Prevention Action Plan《大气污染防治行动计划》, 国务院, 国发[2013]37号 [(a)]

- Level of inhalable particulate matter (PM10) in cities above prefecture level to fall by more than 10% against 2012, and number of clean air days to rise year-on-year
- Level of fine particulate matter (PM2.5) for three key regions to fall by 25%, 20% and 15% respectively
- Annual concentration of fine particulate matter (PM2.5) in Beijing to be maintained at 60μg/m^3

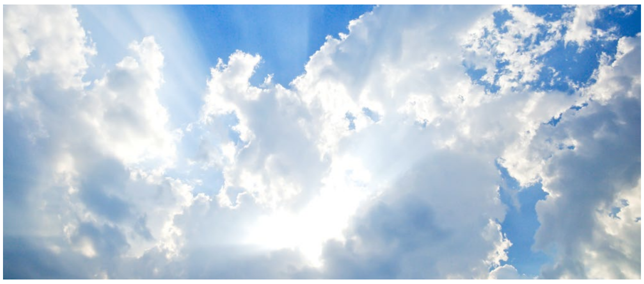
The *Air Pollution Prevention Action Plan (2013-2018)* targeted to cut air pollutants by 2017 in only key areas. Its success led to the three-year *Action Plan for Winning the Blue Sky War (2018-2020)* which rolled out similar targets to over 300 prefectural-level cities, opening up vast opportunities for Sunpower.

Three-year Action Plan for Winning the Blue Sky War《打赢蓝天保卫战三年行动计划》, 国发〔2018〕22号 [(b)]

- Annual emissions of sulphur dioxide (SO_2) or nitrogen oxides (NO_x) to fall by more than 15% by 2020 against 2015
- Concentration of fine particulate matter (PM2.5) at cities at or above prefectural level yet to attain existing standards to fall by more than 18%
- Cities at or above prefectural level to record clean or fairly clean air during 80% of the year, and days with heavy or severe pollution to fall by over 25%

Clean and Efficient Use of Coal Action Plan (2015-2020)《煤炭清洁高效利用行动计划 (2015–2020年)》, 国家能源局, 国能煤炭[2015]141号 [(c)]

- The *Clean and Efficient Use of Coal Action Plan (2015-2020)* laid out targets to implement coal-fired boiler upgrading projects, as well as promote and apply high-efficiency, energy-saving and environmentally-friendly boilers such as those operated by Sunpower in its GI segment.
- Eliminate 600,000 steam-tons of outdated coal-fired boilers and coal-fired boilers in the key areas of Beijing, Tianjin, Hebei, Yangtze River Delta and Pearl River Delta and replace them with cogeneration, clean coal and other clean energy by 2020.
- Encourage development of combined heat and power supply, centralised heating and other heating methods.



Source:

(a) english.mee.gov.cn/News_service/infocus/ 201309/t20130924_260707.shtml
(b) english.mee.gov.cn/News_service/ news_release/201807/t20180713_446624.shtml
(c) http://www.cec.org.cn/huanbao/xingyexinxi/jienengjianpai/2015-05-22/138191.html

OTHER SUPPORTIVE ENVIRONMENTAL POLICIES

- Implementation of Coal Fired Boiler's Energy Saving and Environmental Protection Scheme
《燃煤锅炉节能环保方案的实施》, 国家发改委、环保部及其他部门, 发改环资[2014]2451号

- Environmental Protection Tax Law
《环境保护税法》, 全国人民代表大会常务委员会

- Full Implementation of Work Plan for Ultra-low Emission and Energy Conservation of Coal-fired Power Plants
《全面实施燃煤电厂超低排放和节能改造工作方案》, 环保部、发改委和能源局, 环发[2015]164号

- Heat-power Cogeneration Measures
《热电联产管理办法》, 发改能源[2016]617号

- Guideline to Boost the Development of Biomass Heating
《关于促进生物质能供热发展的指导意见》, 发改能源[2017]2123号

- China's 13th Five-Year Plan for National Eco-environmental Conservation
《国家环境保护标准"十三五"发展规划》, 环科技[2017]49号

MANUFACTURING & SERVICES (M&S)

STABLE & GROWING WITH MORE THAN 20 YEARS OF PROVEN TRACK RECORD

Focusing on the high-end market and servicing reputable customers, Sunpower has delivered superior quality products and solutions to ~1,500 customers in a wide range of industries across 30 countries to date.

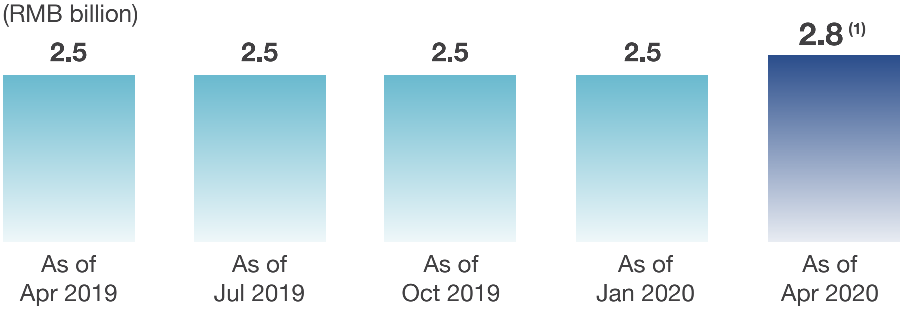
Sunpower's large base of reputable customers includes BASF, BP, Shell, CNOOC, CNPC, SINOPEC, Wanhua Chemical and Hengli Petrochemical. ~70% of its customer base are repeat customers.

MANUFACTURING & SERVICES

OVER 20 YEARS OF PROVEN TRACK RECORD

RECORD HIGH ORDER BOOK

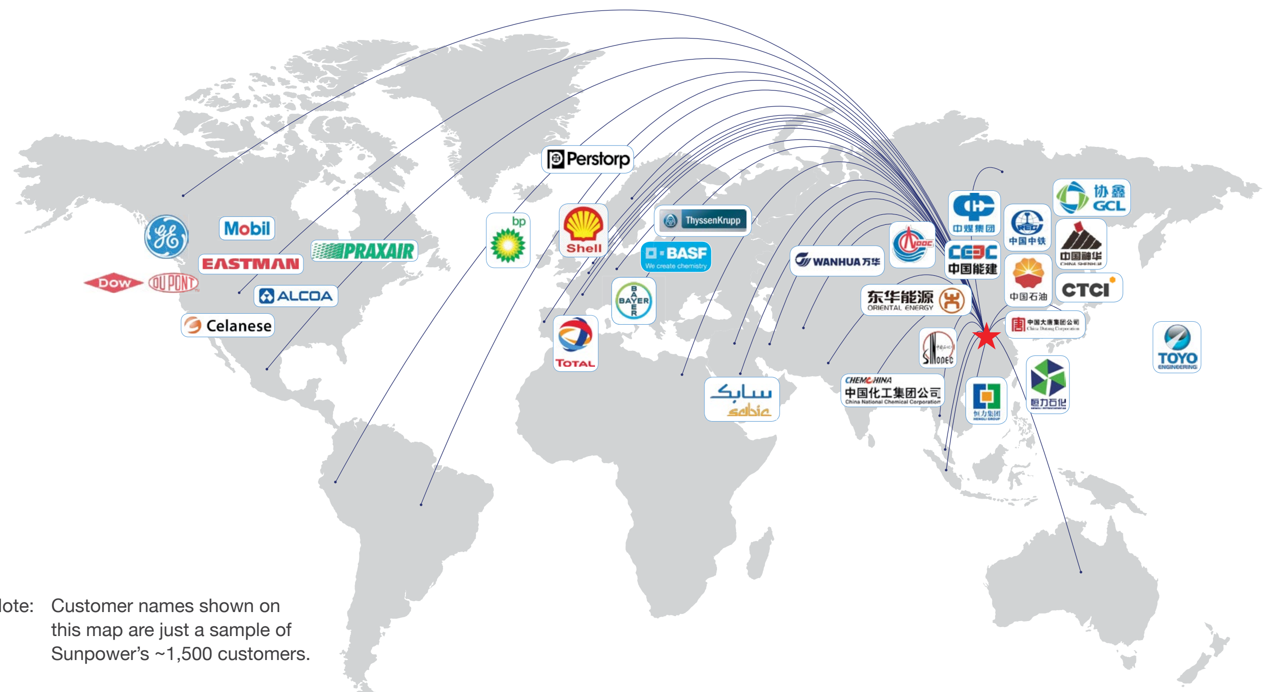
Order book remains strong and has surged to RMB2.8 billion as of April 2020



RMB
2.8 billion

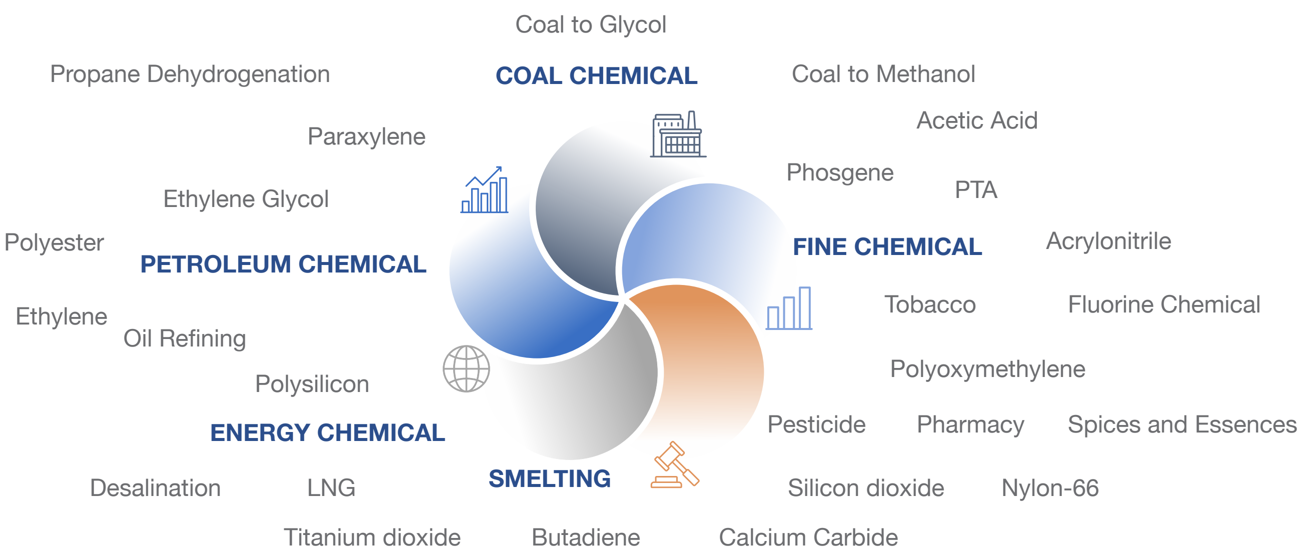
(1) Excluding contracts delivered in 1Q 2020

DIVERSIFIED BASE OF CUSTOMERS AROUND THE WORLD



Note: Customer names shown on this map are just a sample of Sunpower's ~1,500 customers.

CAPABLE OF SERVING A DIVERSE RANGE OF INDUSTRIES



KEY PRODUCTS

Key Products
- High Efficiency Heat Exchangers and Pressure Vessels
- Pipeline Energy Saving Products
- Heat Pipe and Heat Pipe Exchangers

High Efficiency Heat Exchangers and Pressure Vessels

These are widely used for completing the heat transfer, reaction, separation and storage processes of industrial production. Sunpower's High Efficiency Heat Exchangers have a high heat transfer coefficient and are able to achieve energy savings of 30%-50% with a long life cycle. This translates into significant cost reduction for customers.

Pipeline Energy Saving Products

Such products mainly include long distance steam distribution pipelines, pipe supports, spring supports and hangers that provide heat isolation from environmental temperature changes and minimise temperature loss during transmission. The pipe supports, spring supports and hangers can also improve the safe operations and service life of the distribution pipelines. These products are widely used in the petrochemical, chemical, oil and gas, coal, clean energy, solar, liquefied natural gas (LNG), pharmaceutical, coal-based chemical, mining, oil sand, etc.

Heat Pipes and Heat Pipe Exchangers

With a heat transfer rate 3,000 times faster than conventional products, Sunpower's Heat Pipes and Heat Pipe Exchangers are mainly used in the petrochemical, steel and chemical industries. Heat pipes are also used in the construction of roads, railways and oil pipelines in permafrost regions such as Qinghai province and Tibet. For instance, Sunpower's heat pipes were utilised in various large-scale projects including the Qinghai-Tibet Railway, Gonghe-Yushu (Jiegu) Highway and the Sino-Russian oil pipeline.

MANUFACTURING & SERVICES

OVER 20 YEARS OF PROVEN TRACK RECORD

KEY SOLUTIONS

Key Products and Solutions

- Flare and Flare Gas Recovery System
- Zero Liquid Discharge (ZLD) System for High Salinity Wastewater
- Petrochemical Engineering
- Thermal Power Engineering

Flare and Flare Gas Recovery Systems

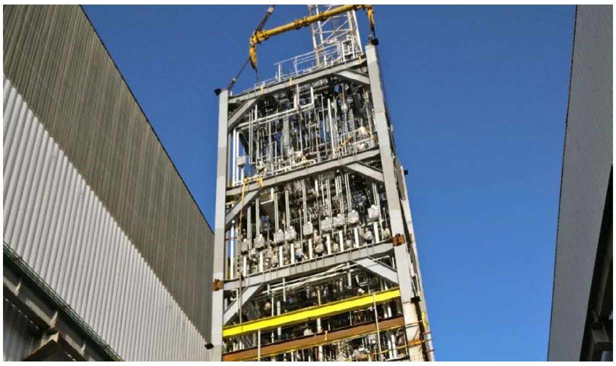
Sunpower is an industry leader in these systems which are used to recover useful petrochemical by-products from flare or waste gas commonly generated during the production process of a petrochemical refinery. Sunpower provides flare and flare gas recovery solutions and uses them to reduce pollutant discharge into the atmosphere, lowering emissions and improving cost economics for customers. Sunpower is the only official supplier of flare systems for Shell in Asia and one of only three such suppliers for Shell globally.

Zero Liquid Discharge System (ZLD) for High Salinity Wastewater

This is Sunpower's another technological innovation that is used to recycle water and recover salt from wastewater with high salinity and catalyst concentration. This system integrates the technologies of selective salt recovery and ZLD based on low temperature energy, helping customers meet zero-emission requirements with lower capital outlays. Sunpower is a leading specialist in the engineering and construction of such wastewater evaporation and crystallization systems in China.

Petrochemical Engineering

Sunpower's Petrochemical Engineering primarily includes providing sulphur recovery solutions, skid-mounted equipment and formaldehyde devices. In the sector of energy saving system, Sunpower also provides solutions of waste heat recovery and pipeline energy saving engineering.



Thermal Power Engineering

With design services as its key offering and leveraging on its core technologies, Sunpower provides Engineering(E), Engineering and Procurement(EP), and Engineering, Procurement and Construction(EPC) services for thermal power projects. In addition, its scope of services also includes turnkey services, project management and design of facilities, consulting, as well as technical and management services to other industries such as building materials, construction and municipal administration. The Group has a strong track record, having successfully completed over 1,000 projects in China and over 60 projects abroad.

CUTTING-EDGE PROPRIETARY TECHNOLOGIES

R&D-DRIVEN & ADVANCED

With its solid R&D foundation, Sunpower has led and participated in the drafting of several national standards that have become industry benchmarks in China. Leveraging on this, it has developed a comprehensive range of advanced technologies that has given it an unrivalled competitive advantage in the market.

171 Patents

62 Invention Patents

Led and Participated in Drafting 5 National Standards

>400 Researchers and Design Engineers

KEY PROPRIETARY TECHNOLOGIES

- High-efficiency heat exchanger
- LNG gasification
- Shaped tube gas-gas heater technology
- High-efficiency heat insulation and cold preservation for pipes
- Pipe shock absorbing
- Heat pipe
- Flue gas desulphurization and denitrification technology
- Flare and flare gas recovery
- Ignition technology for integrated pilot light
- Zero Liquid Discharge (ZLD) of high salinity wastewater
- Waste heat recovery
- Long-distance steam distribution pipeline technology
- Low nitrogen combustion technology
- Technology to eliminate haze and ammonia escape
- Low-low temperature economizer technology
- Sludge drying and incineration
- Repair and replacement technology for the cold insulation construction of cryogenic piping system
- Steam-water mixed central heating system and high-efficiency energy-saving safe heating system

As a technology-driven company, Sunpower has additional technologies other than those listed here.

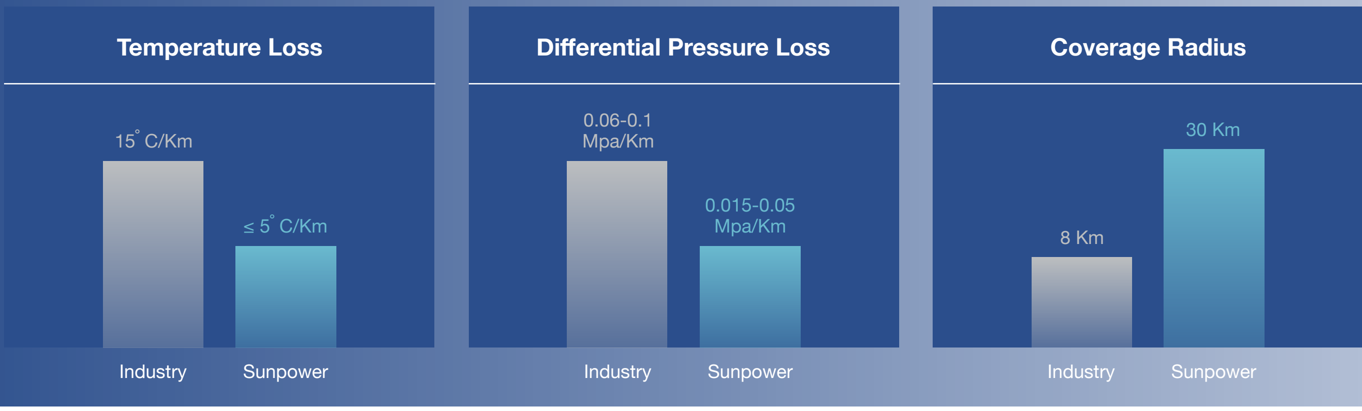
CUTTING-EDGE PROPRIETARY TECHNOLOGIES

R&D-DRIVEN & ADVANCED

LONG DISTANCE STEAM DISTRIBUTION PIPELINE TECHNOLOGY

- Increases geographical reach to captive customers and improves economies of scale.
- Reduces coal feedstock and minimises temperature loss in transmission.

SUNPOWER'S TECHNOLOGY ADVANTAGE



ENVIRONMENTAL PROTECTION TECHNOLOGY

- **Low Nitrogen Combustion Technology**
  Maximises combustion efficiency to reduce NO_x emission.
- **Desulphurization and Denitrification Technology**
  Effectively prevents aerosol contamination, converts SO_2 and NO_x in flue gas into compound fertiliser.
- **Technology to Eliminate Haze and Ammonia Escape**
  Eliminates dust, aerosol and white smoke.

EMISSION STANDARD

mg/m³	New National Standard for New-built Coal-fired Boilers[1]	New National Standard for Coal-fired Power Plants	New National Standard for Coal- fired Power Plants in Key Areas[2]	New National Standard for Natural Gas Power Plants	Sunpower's Capability
Dust	50	30	20	5	**<5**
Sulphur Dioxide, SO_2	300	100	50	35	**<35**
Nitrogen Oxide, NO_x	300	100	100	50	**<50**

Source: Emission Standard of Air Pollutants for Boilers enacted by Ministry of Environmental Protection of PRC

ENERGY SAVING TECHNOLOGY

- **High Efficiency Heat Exchange Technology**
  Increases boiler efficiency through high efficiency heat exchange and comprehensive utilisation of waste heat.
- **Gas-gas Heater Technology**
  Recycles flare gas heat and reduces water consumption; improves the efficiency of desulphurizer to reduce air pollution.
- **Low-low Temperature Economizer Technology**
  Reduces flue gas temperature, improves boiler and desulphurization efficiency and reduces water consumption.

REFORM AND UPGRADING TECHNOLOGY

- Reforms and upgrades acquired plants to improve operational efficiency.

Notes:

(1) The standard applies to coal-fired power generating boilers with a unit capacity of 65 tonnes/hour (t/h) or below

(2) Key Area refers to Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta of China

STRATEGIC INSTITUTIONAL INVESTORS
DCP AND CDH

KEY MILESTONES

1Q 2022
CB1 and CB2 bonds mature

FY 2019
32% growth in underlying net profit attributable to equity holders to RMB352 million (1)

December 2019
Sunpower has 8 operating GI projects and 1 project in trial production

FY 2018
87% growth in underlying net profit attributable to equity holders of RMB268 million (1)

3Q 2018
Sunpower has 7 operating GI projects

May 2018
DCP and CDH made further investment of US$70 mil via CB2

4Q 2017
Initial contribution from GI

March 2017
DCP and CDH made initial investment of US$110 mil via CB1

(1) Underlying net profit attributable to equity holders is the true operating performance of the Group, after adjusting net profit attributable to shareholders (including effects of Convertible Bonds and Warrants) for amortised interest expenses, fair value adjustments and foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

In 2018, DCP Capital Partners L.P. ("DCP") and CDH China Management Company Limited ("CDH") (collectively, the "bond holders") made a further investment of US$70 million in Sunpower to support its continued expansion in the GI segment by subscribing to a second tranche of convertible bonds (CB), one year after their first investment of US$110 million in 2017. In addition, Sunpower issued warrants exercisable into US$30 million of new shares at S$0.70 if exercised in 2019 or at S$0.80 if exercised in 2020.

DCP and CDH are among the most experienced and respected Chinese private equity investors with outstanding investment track records achieved across multiple economic cycles. They have invested in and nurtured many leading companies in China. DCP and CDH are able to add value to Sunpower by working in partnership with our management team and leveraging on their resources such as M&A and portfolio management capabilities to accelerate the Group's business expansion. Their investments are a strong continuous recognition and endorsement of Sunpower's medium and long-term growth potential.

The bond holders share the same vision and strategy that Sunpower's management has for the GI business, a strategy that if successfully executed will bring sustainable long-term value to Sunpower and its shareholders in the form of recurring high-quality cashflow, and be accretive in earnings per share. They recognise that Sunpower has the technical expertise, proven capability, and know-how to achieve improved growth in earnings and cashflow as contributions from the GI business increase.

SELECTED INVESTMENTS BY DCP AND CDH TEAMS

Belle International
China's Leading Women Shoes Retailer

Mengniu Dairy
China's Leading Dairy Company

Nanfu Battery
China's Leading Alkaline Battery Producer

Qingdao Haier
Global Leader in Home Appliances

Hengan International
China's Largest Napkin and Diaper Producer Retailer

Ping An Insurance
China's Leading Insurance Provider

Modern Dairy
China's Leading Dairy Company

WH Group
Global Leader in Meat Processing

Greenland Group
China's Leading Real Estate Conglomerate

Midea Group
Global Leader in Home Appliances

CICC
China's Leading Investment Bank

Focus Media
China's Largest Out-of-home Advertising Network

COFCO Meat
China's Leading Meating Processing Company

Uxin
China's Leading Online Used Car Platform

Source:
DCP and CDH, as of March 2018. Please note that all risk disclosure, disclaimers and other similar content in the Private Placement Memorandum, dated February 22, 2018, and the Preliminary Information Document, dated August 10, 2017, of DCP Capital Partners, L.P. apply to the information above

CORPORATE INFORMATION

Board Of Directors

Guo Hong Xin
(Executive Chairman)

Ma Ming
(Executive Director)

Yang Zheng
(Lead Independent Director)

Lau Ping Sum Pearce
(Independent Director)

Chin Sek Peng
(Independent Director)

Wang Dao Fu
(Independent Director)

Li Lei
(Non-Executive and Non-Independent Director)

Liu Haifeng David
(Non-Executive and Non-Independent Director)

Audit Committee

Chin Sek Peng (Chairman)
Lau Ping Sum Pearce
Yang Zheng

Nominating Committee

Wang Dao Fu (Chairman)
Guo Hong Xin
Lau Ping Sum Pearce
Chin Sek Peng
Li Lei
Liu Haifeng David
Yang Zheng

Remuneration Committee

Lau Ping Sum Pearce (Chairman)
Chin Sek Peng
Li Lei
Liu Haifeng David
Wang Dao Fu

Company Secretary

Ho Wui Mee Marian

Deputy Secretary

Chew Bee Leng

Bermuda Resident Representative And Assistant Secretary

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Principal Place Of Business

No. 2111 Chengxin Avenue
High-tech Industrial Park Jiangning District,
Nanjing, Jiangsu, 211112
People's Republic of China

Registered Office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Singapore Share Transfer Agent

RHT Corporate Advisory Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

Bermuda Share Registrar And Transfer Agent

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Auditors

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809
Audit Partner: Michael Tsia Chee Wah
Since financial year ended 31 December 2017

Principal Bankers

Bank of Nanjing
Bank of China
Agricultural Bank of China
Bank of Communication

Investor Relations

Gregory Yap (Singapore)
Winnie Lyu (China)
ir@sunpower.com.cn

DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors (the "Board"), I am pleased to share that the Group has delivered yet another year of stellar results on the back of strong business fundamentals for the financial year ended 31 December 2019 ("FY2019"). The expansion of the GI business and the improved performance of the M&S business have enabled Sunpower to achieve record revenue and profit for the year. Group revenue and underlying net profit attributable to equity holders attained a new high of RMB3.6 billion and RMB352.2 million, up 10.5% and 31.5% year-on-year ("YoY") respectively, while group underlying operating cash flow rose 8.4% YoY to RMB267.3 million. The strong performance of GI for the second consecutive year has truly enhanced Sunpower into a company driven by long-term, recurring, high-quality income and cash flow.

CHINA'S RESOLVE IN FIGHTING AIR POLLUTION PROVIDES CONTINUOUS BOOST TO SUNPOWER'S PROSPECTS

Growing the GI business is the right long-term strategic direction for Sunpower, as China's government has continued to highly prioritise the fight against air pollution, dedicating time, effort and resources into its implementation following the issuance of the three-year Action plan for Winning the Blue Sky War (2018) and the Air Pollution Prevention Action Plan (2013). In July 2019, the Ministry of Ecology and Environment announced the implementation of a new quantitative assessment mechanism to hold cities accountable for their progress in meeting air quality improvement requirements(1). In December 2019, at the Central Economic Work Conference, President Xi Jinping emphasised the need for a determined fight against pollution as one of the key tasks for China's government in 2020(2). Such strong leadership from the government and strict enforcement will drive the long-term growth prospects of China's environmental protection industry, particularly the anti-smog services sector that Sunpower's GI business serves, and is therefore expected to continue to provide enormous business opportunities for Sunpower.

GI SEGMENT HAS INITIATED A STREAM OF LONG-TERM, RECURRING, HIGH-QUALITY INCOME AND CASHFLOWS

The rapid pace of expansion of the GI business again exceeded expectations in FY2019. In less than three years after we issued the first tranche of convertible bonds to fund the GI business, we have successfully established a portfolio of 8 GI projects in operation and 1 in trial production, with 3(3) more projects under construction as well as several more under evaluation.

This success was also reflected in GI's excellent financial performance in FY2019, which saw a continuation of the strong growth achieved in FY2018. In FY2019, GI revenue increased 56.8% YoY to RMB1.16 billion and GI EBITDA increased 56.7% YoY to RMB432.9 million, achieving GI's profitability target, while operating cash flow from GI projects increased 18.8% YoY to a robust RMB251.6 million. As the GI projects are still ramping up, the performance of GI business is expected to considerably exceed the latest reported period.

In providing the right strategic direction, the record growth of the GI segment has been underpinned by its unique business model which combines cutting-edge proprietary technologies, long-term exclusive supply concessions, a Circular Economy zero-waste production model and benefits from China's supportive environmental policies. We have incorporated our cutting-edge proprietary technologies into the GI

The natural expansion into GI has proven to be the right strategic direction which has successfully driven Sunpower to have grown into a long-term, recurring and high-quality income and cashflow company

projects to create a competitive moat. In addition, our GI projects are granted long-term supply concessions of typically 30 years by the local governments for the exclusive supply of steam, heat and/or electricity in their coverage areas, which allows them to impose advance payment requirements. Some of our projects also employ the Circular Economy zero-waste production model in which pollution can be reduced through the re-cycle and re-use of industrial waste, giving rise to cost benefits. Meanwhile, the continued phasing-out and closure of small high-emission coal boilers by local governments to support centralised low-emission solutions, such as provided by our GI projects, as well as the continual relocation of factories into industrial parks with centralised steam and electricity-generating infrastructure will provide additional growth support for the GI business in the long-term.

As such, we are well prepared for the next phase of growth and we will continue to adhere to the proven strategy of building a sizeable and valuable portfolio of GI projects that can generate long-term, recurring, high-quality income and cash flows. To-date, we have invested and committed RMB1.7 billion in GI project equity investments, which is more than two-thirds of the targeted investment of RMB2.5 billion by 2021. As part of the expansion, we will also look to secure more earnings-accretive M&A projects to deliver a net present value (NPV) of long-term cash flows that can be expected to be substantially higher than the latest reported period.

M&S OUTPERFORMED, DRIVEN BY A PROVEN TRACK RECORD AND STRONG INDUSTRY LEADERSHIP

Our M&S business achieved revenue of RMB2.4 billion in FY2019 while its profitability continued to improve substantially through the ongoing enhancement of our core competitive strengths, anchored by the Group's technological advancements and sophisticated management. Our order book was maintained at a constant RMB2.5 billion for 4 consecutive quarters in 2019, and has surged further to RMB2.8 billion as at April 2020. This is a strong testament to our market leadership and strength as a top-tier supplier of environmental protection equipment and services.

With our focus on the high-end market and servicing reputable customers such as BASF, BP, Shell, CNOOC, CNPC, SINOPEC, Wanhua Chemical and Hengli Petrochemical, we have delivered superior quality products and solutions to over 1,500 customers in more than 15 industries across 30 countries to date, with 70% of our business coming from repeat customers.

GARNERED MORE PRESTIGIOUS AWARDS AND MAINTAINED STRONG CORPORATE GOVERNANCE

In 2019, Sunpower won Deloitte's 2019 Best Managed Companies (BMC) Award in the first year that it was introduced to China. The BMC award recognises excellence in overall business management and business performance, and is a strong endorsement of our management practices and financial results. In addition, Sunpower earned an inaugural position in the China Energy Group Top 500 List, an annual ranking of top-performing energy companies in China.

Finally, we refined our corporate governance practices in 2019. We continued to maintain a strong team of qualified, value-adding Independent Directors on the Board who are familiar with our business and hold the best interests of all stakeholders at heart. Comprehensive and timely disclosure of financial and non-financial information in our annual reports and corporate announcements is practised, and we consistently engage with our shareholders and potential investors through our comprehensive investor relations efforts.

APPRECIATION AND DIVIDENDS

On behalf of the Board, I would like to thank our shareholders, customers and business partners for your continued trust and support. To show our appreciation to our loyal shareholders, the Board has proposed a first and final dividend of S$0.0025 per share for FY2019, an increase from S$0.0019 per share for FY2018, making it the 10th consecutive year that we have declared dividends.

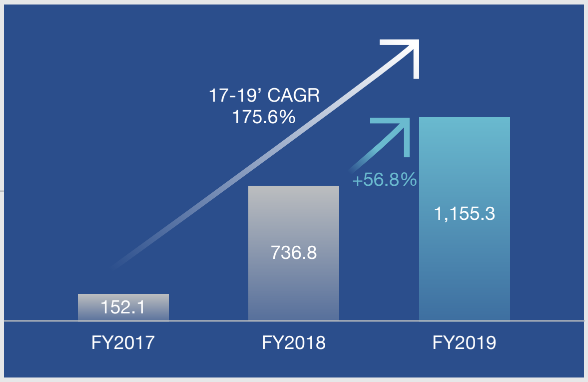
GUO HONG XIN
Executive Chairman

Notes:

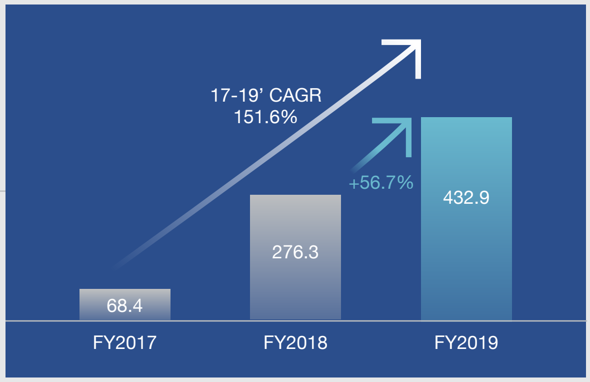
(1) http://huanbao.bjx.com.cn/news/20190731/996568.shtml
(2) http://www.bynerd.gov.cn/info/1169.jspx
(3) Including Shantou Project (Phase 2), Xintai Zhengda Project (new plant) and Tongshan Project (Phase 1)

GI'S GROWTH EXCEEDED EXPECTATIONS IN 2019

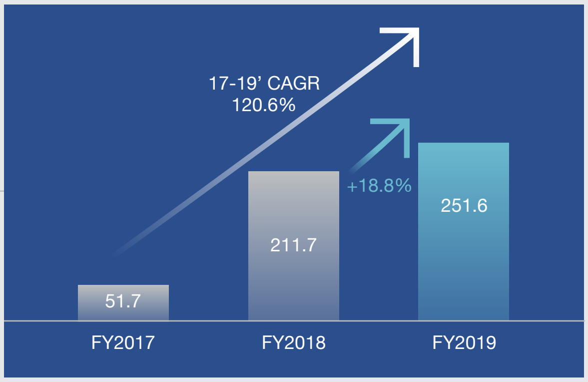
Revenue (RMB million)



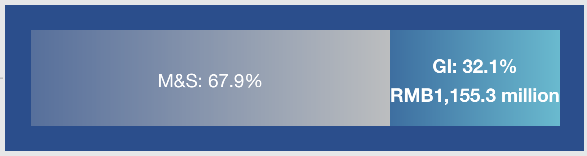
EBITDA (RMB million)



Operating Cashflow (RMB million)

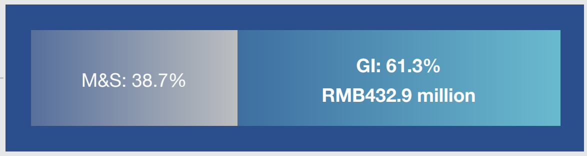


Revenue



Segment Result

EBITDA



GI performed at a higher level in FY2019 due to continued portfolio expansion, ramp-up of the existing 8 operational projects, and enhancement initiatives on acquired projects.

Sunpower's reliable GI business model and strong execution capabilities have again been proven through the 2019 results.

GI revenue increased 56.8% YoY to RMB1,155.3 million, accounting for 32.1% of Group revenue. GI EBITDA increased 56.7% YoY to RMB432.9 million.

GI segment results[(1)] grew 66.4% YoY to RMB326.3million, accounting for 55.2% of the Group total. Sunpower has met its target of ~50% of income coming from the recurring GI business for two consecutive years.

Operating cashflow from GI projects increased 18.8% YoY to RMB251.6 million, accounting for 54.3% of the Group total. This strong cashflow generation affirms the strength of Sunpower's market position as an exclusive supplier that is able to require customers to pay in advance.

With the solid track record established in GI, Sunpower has grown into a long-term, recurring, high-quality income and cashflow company. GI's organic and substantial growth in cashflow will also be a funding source for further GI expansion in future.

As GI projects are still ramping up, the long-term NPV of future cashflows generated by the Group's GI is expected to be substantially higher than the latest reported period. [(2)]

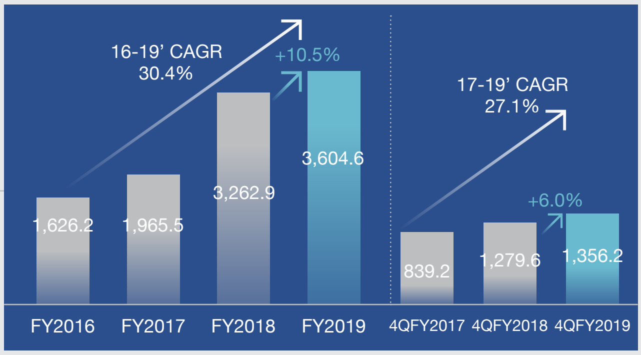
Notes:

(1) Segment results reflects the operating income of each business segment of the Group, before interest, tax and unallocated corporate expenses as well as fair value adjustments and FX gains or losses for the CBs and warrants

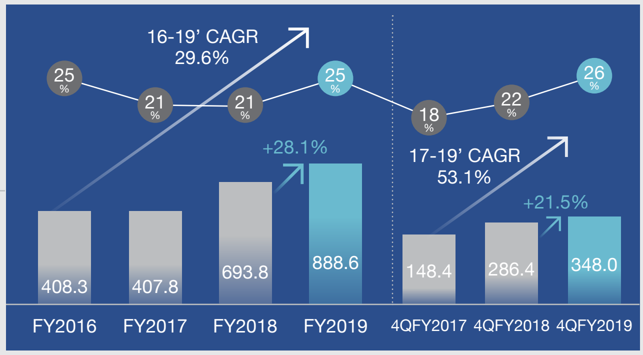
(2) Based on the company's long-term discounted cashflow forecasts. Latest reported period refers to the financial year ended 31 December 2019

FINANCIAL HIGHLIGHTS

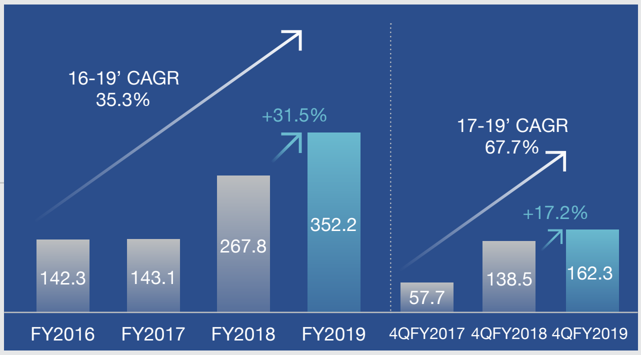
Revenue (RMB million)



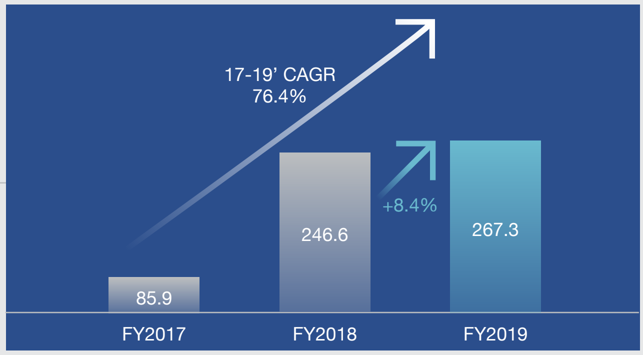
Group Gross Profit & Gross Margin (RMB million)



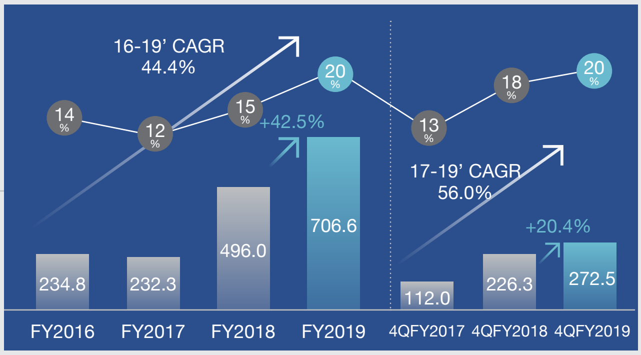
Group Underlying Net Profit Attributable to Equity Holders[(1)] (RMB million)



Underlying Operating Cash Flow[(2)] (RMB million)



EBITDA (RMB million)



GI's rapid ramp-up has driven Sunpower to achieve another record high in top and bottom line in 2019.

Group revenue and underlying net profit attributable to equity holders [(1)] reached another record high of RMB3.6 billion and RMB352.2 million, respectively. Underlying operating cash flow [(2)] rose 8.4% YoY to RMB267.3 million.

M&S achieved revenue of RMB2,449.3 million while profitability was further and substantially improved through the continuous enhancement of core competitive strengths, secured by the Group's technological innovations and sophisticated management.

Quality of the Group's earnings and cashflow significantly enhanced by GI's long-term, recurring, high-quality contributions and further improvement of M&S profitability.

A Future Filled With Potential Ahead

Sunpower's reliable GI business model and strong execution capabilities have again been proven in FY2019.

Looking ahead, Sunpower will continue to reap the rewards of (a) a continued ramp-up of operational GI plants, (b) profit enhancement of acquired projects, (c) expected commercial production of Shantou Phase 1, (d) anticipated trial production of Xintai Zhengda's new plant, and (e) potential addition of more earnings-accretive new projects.

Notes:

(1) Underlying net profit attributable to equity holders is the true operating performance of the Group, after adjusting net profit attributable to shareholders (including effects of Convertible Bonds and Warrants) for amortised interest expenses, fair value adjustments and foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

(2) Underlying operating cash flow, excluding CB interest of RMB19.7 million

BOARD OF DIRECTORS

Mr. Guo Hong Xin

Mr. Ma Ming

Mr. Lau Ping Sum Pearce

Mr. Chin Sek Peng

Mr. Yang Zheng

Mr. Li Lei

Mr. Liu Hai Feng

Mr. Wang Dao Fu

BOARD OF DIRECTORS

MR. GUO HONG XIN

Founder, Executive Chairman

Mr. Guo founded Sunpower in 1997. As Executive Director and Chairman of the Board, he is responsible for the overall management as well as the strategic planning & development of the Group. Before he founded Sunpower, Mr. Guo was a Lab Director at the Heat Pipe Research Centre of Nanjing Chemical Institute and served as Director and Deputy General Manager at Shengnuo Group from 1993 to 1997. Mr. Guo was Vice Dean of Heat Pipe Technology Development Institute of Nanjing Tech University and Deputy Director of the National Science and Technology Ministry Heat Pipe Technology Promotion Centre from 1995 to 1997. Mr. Guo was appointed as independent non-executive director of Genscript Biotech Corporation, a company listed on the Hong Kong Stock Exchange, in 2015. In addition, Mr. Guo serves as a part-time instructor at the MBA Education Center of Nanjing University and as industry professor at Nanjing Tech University. He was also appointed as Tsinghua University EMBA Alumni Entrepreneur Mentor in 2017.

Mr. Guo has received many awards and honours. He was awarded prizes in technological progress by the Ministry of Education of the People's Republic of China ("PRC") in 1994, the National Federation of Industry & Commerce and Jiangsu Province in 2009, and the China Petroleum and Chemical Industry Federation in 2010. Mr. Guo was recognised as "Great Contributor to Nanjing Science and Technology" in 2006 and was awarded the special government allowance by the State Council of the PRC in 2012 for his outstanding contributions. He was appointed Team Leader of the National Standardisation Technical Committee for heat pipes in 2008. In 2011, Mr. Guo was awarded "Jiangsu Top 10 Outstanding Entrepreneurs" and "Innovative Entrepreneurial Talents"; elected as the expert of "333 High Level Talents Training Programme"; and engaged as the first batch of industry professor in Jiangsu Province. In 2015, he was recognised for his scientific & technological innovation and entrepreneurial talent (known as "Ten Thousand Talents Plan") by the Ministry of Science and Technology of the PRC.

In addition, Mr. Guo was honoured as Top Expert of Nanjing and appointed as Vice Mayor of science and technology by the government of Changyi City, Shandong province, in 2017. More recently, he won the Ernst & Young Entrepreneur of the Year 2018TM China and was honoured with the title of "Jiangsu Outstanding Entrepreneur" in 2019.

Mr. Guo obtained his Bachelor's degree in 1983 and a Ph.D in Geotechnical Engineering from the Cold and Arid Regions Environmental and Engineering Research Institute of the Chinese Academy of Sciences in 2010. In 2014, he obtained his EMBA from Tsinghua University.

MR. MA MING

Co-Founder, Executive Director

Mr. Ma is a co-founder of Sunpower. He has served Sunpower as an Executive Director since 2004 and was last re-elected on 26 April 2018. Mr. Ma is responsible for the management of the financial affairs and external investment of the Group. He initially worked for Sunpower Petrochemical as a Deputy General Manager. From 2008 to 2010, Mr. Ma was entrusted by the Executive Chairman to perform, on his behalf, all the responsibilities as General Manager of Jiangsu Sunpower Technology Co., Ltd., and Jiangsu Sunpower Machinery Manufacture Co., Ltd. and he was formally appointed as General Manager of these two companies from 2010 to 2015. From 2014 to 2015, he was also the General Manager of Sunpower Technology (Jiangsu) Co., Ltd.. He was an engineer at Nanjing Chemical Industrial Company from 1983 to 1992, following which he joined Hainan Lida Industrial as a Manager. Mr. Ma graduated from the Nanjing Chemical Engineering Senior College in 1983 and obtained his Master's degree in Engineering Management from the University of Shanghai for Science and Technology in 2007.

MR. LAU PING SUM PEARCE

Independent Director

Mr. Lau has been an Independent Non-Executive Director since February 2005 and was last re-elected on 26 April 2018. Mr. Lau was a Member of Parliament for Yio Chu Kang Constituency from 1980 to 1991 and a Member of Parliament for Ang Mo Kio Group Representation Constituency from 1991 to 1996. He served as a Director of Ang Mo Kio Community Hospital from 1993 to 1999 and Chairman of the Medifund Committee of the hospital from 2001 to 2005. He was Head of Computer Services in a statutory board and two local banks from 1973 to 1996. He was the General Manager of NTUC Link Pte Ltd. between 1997 and 2000 and was the Executive Director of People's Action Party/PAP Community Foundation from 2001 to 2012. He is currently an Independent Director of two other listed companies in Singapore and a member of the Singapore Institute of Directors. In addition, he is a member of the Programme Advisory Committee for BA Translation and Interpretation and an examiner for Certification Examination for Professional Interpreters, School of Arts and Social Sciences, Singapore University of Social Sciences. Mr. Lau graduated from the Australian National University with a Degree in Economics and also holds a Diploma in Business Administration from the University of Singapore.

BOARD OF DIRECTORS

MR. CHIN SEK PENG

Independent Director

Mr. Chin was appointed as an Independent Non-Executive Director in February 2005 and was last re-elected on 26 April 2017. Mr. Chin is the co-founding Director of PKF-CAP Advisory Partners Pte Ltd.. He is also the Managing Partner responsible for running, managing and growing the professional services of PKF Singapore entities including PKF-CAP LLP, a firm of chartered accountants in Singapore.

Mr. Chin started his accountancy and audit training in Casson Beckman, a medium sized firm of chartered accountants in London in 1980. After he qualified as a chartered accountant in 1983, he joined legacy Price Waterhouse and worked in UK, Europe and Singapore from 1983 to 1994. In 1994, Mr. Chin joined the Institute of Singapore Chartered Accountants ("ISCA") as the first Practice Review Director. In 1999, Mr. Chin joined Arthur Andersen as a partner in its Assurance and Business Advisory Division and he left the firm in 2002 to set up his own audit and consultancy practices.

Mr. Chin holds a Bachelor of Arts (Honours) degree in Accounting and Finance from Lancaster University in the United Kingdom and is a Fellow Chartered Accountant (practicing) of Singapore and a Fellow Member of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Internal Auditors of Singapore and an ordinary member of the Singapore Institute of Directors.

Mr. Chin also serves as Independent Director, mainly in the capacity of Audit Committee Chairman, to four other companies listed on the Singapore Exchange. He is a member of the PKF International Asia Pacific Board and was formerly a council member of ISCA and the Chairman of the Public Accounting Practice Committee of ISCA. He continues to serve as Senior QA Advisor for the Quality Assurance Review Programme of ISCA.

MR. YANG ZHENG

Lead Independent Director

Mr. Yang was appointed as an Independent Non-Executive Director in November 2017 and was last re-elected on 26 April 2018. He was appointed as Lead Independent Director of the Group on 25 June 2019. He is a PRC Certified Public Accountant (CPA), a senior member of the Chinese Institute of Certified Public Accountants (CICPA), director of the Accounting Society of China (ASC), a member of the National Audit Information and Standardisation Technical Committee and President of Shenzhen Rihao Financial Intelligence Research Institute. Mr. Yang has been an accounting teacher at Nanjing Audit University since 1987 and was the Dean of the School of Accounting at Nanjing Audit University. He was a part-time Professor at Curtin University of Australia and served as Vice-President of Xi'an Eurasia University from 2014 to 2018. Mr. Yang has also served as an independent director in a number of companies and is currently an independent director of the following listed companies: Jiangsu Kanion Pharmaceutical Co., Ltd., Luenmei Quantum Co., Ltd., and Kingswood Enterprise Co., Ltd.. Mr. Yang graduated with a Bachelor's degree in Economics from Anhui University in 1982. He studied as a visiting scholar in the field of auditing in Nanjing University from 1994 to 1995.

MR. LI LEI

Non-Executive, Non-Independent Director

Mr. Li was appointed as a Non-Executive Director in March 2017 and was last re-elected on 26 April 2017. He worked in McKinsey & Company's Beijing Office as an Analyst from 2006 to 2007. Mr. Li was Vice President of Beijing Dinghui Venture Investment Advisory Co., Ltd., from 2007 to 2011 and Executive Director of Dinghui Equity Investment Management (Tianjin) Co., Ltd., from 2011 to 2015. Mr. Li has served as the Managing Director of CDH Investments Management (Hong Kong) Limited since January 2016. Mr. Li holds two Bachelor's Degrees in law and economics and a Master's Degree in law.

MR. LIU HAI FENG

Non-Executive, Non-Independent Director

Mr. Liu was appointed as a Non-Executive Director in November 2017 and was last re-elected on 26 April 2018. He is the Executive Chairman of DCP Capital ("DCP"). Prior to establishing DCP, Mr. Liu was a Partner of KKR, the Co-head of KKR Asia Private Equity and the CEO of KKR Greater China. Prior to joining KKR, Mr. Liu was a Managing Director and the Co-head of Morgan Stanley Private Equity Asia.

Mr. Liu has established a leading investment track record in Greater China over the past 26 years. He was responsible for successful and innovative investments such as Mengniu Dairy, Ping An Insurance, Qingdao Haier Co., Sunner Poultry, Far East Horizon, Nanfu Battery, China Modern Dairy, CICC, United Envirotech, China Cord Blood Corporation, Paradise Retail, Hengan International, COFCO Meat, Belle International, Yuehai Feed, Asia Dairy and Venus Medtech.

Mr. Liu is an Advisory Director of Private Equity Investment Fund Committee of the Asset Management Association of China (AMAC) and the Chairman of China Venture Capital and Private Equity Association (CVCA).

Mr. Liu graduated from Columbia University as Class Salutatorian with a B.S. in Electrical Engineering. He is a member of the Tau Beta Pi National Engineering Honor Society and a winner of the Edwin Howard Armstrong Memorial Award for top electrical engineering student at Columbia University.

MR. WANG DAO FU

Independent Director

Mr. Wang Dao Fu was appointed as an Independent Director on 25 June 2019. He graduated with a Bachelor of Law degree from Peking University in 1984. From August 1993 till May 2002, he worked with many established Singapore law firms as their Chinese Legal Counsel. Mr. Wang then set up Shanghai Yuantai Law Offices in 2004 and is the firm's founding partner. He has more than 30 years of PRC legal practice experience in a wide range of areas, including capital markets, corporate finance and mergers & acquisitions. Mr. Wang currently serves as a Director of Matex International Limited, Proceq Trading (Shanghai) Co. Ltd. (China), SGD Investment Pte Ltd. and MOBO Information Technology Pte Ltd..

KEY MANAGEMENT

MS. GE CUI PING
Chief Financial Officer

Ms. Ge joined the Group in 2004 and is currently the Group's Chief Financial Officer. Ms. Ge is a PRC Certified Public Accountant (CPA), PRC Certified Public Valuer and a member of the Institute of Financial Accountants (IFA) and Institute of Public Accountants (IPA). Ms. Ge was a Director of Jiangsu Sunpower Technology Co., Ltd.. Prior to joining Sunpower, Ms. Ge was an Audit Manager in Jiangsu Tianheng CPA firm from 2000 to 2004. Ms. Ge graduated from Nanjing Economic Institute in 1998 and participated in the CFO programme conducted by China Europe International Business School in 2007.

MR. CHEN KAI
Chief Investment Officer

Mr. Chen joined Sunpower in April 2007 and is the Group's Chief Investment Officer. Mr. Chen assists the Group in making investment decisions and also supervises investor relations. Mr. Chen assumed several positions in the Group, including Board Secretary and Investment Department Manager, General Manager of Sunpower Clean Energy Investment (Jiangsu), Assistant General Manager and Vice General Manager of Sunpower. Prior to joining Sunpower, he worked at Sinopec Yangzi Petrochemical from 1996 to 2000, as well as several other investment companies, in the areas of investments, IPO and M&A. Mr. Chen graduated in 1996 from Nanjing University of Science and Technology and obtained his MBA from Nanjing University in 2003.

MR. GU QUANJUN
Senior Vice President

Mr. Gu joined Sunpower in 2017 and is the Group's Senior Vice President. He is also the Chairman of Sunpower Clean Energy Investment (Jiangsu) and General Manager of Jiangsu Sunpower Clean Energy, and is responsible for the GI business segment of the Group. Mr. Gu worked at Jiangsu Electric Power Bureau, Jiangsu Power Generation Co., Ltd. and SPIC Jiangsu Electronic Power Co., Ltd. from 1990 to 2006. From 2006 to 2009, Mr. Gu was Assistant to Chairman of GCL-Poly Energy and General Manager of GCL-Poly (Xuzhou) Renewable Energy Power Generation Co., Ltd.. Between 2009 and 2013, he was Vice President of C&G Environmental Protection (China) Co., Ltd., and was Executive President of Sanpower Group as well as General Manager of the New Energy Business Department of Sanpower Group from 2013 to 2015. From 2015 to 2017, Mr. Gu was the Vice President of BR Energy Environment Engineering Co., Ltd.. Mr. Gu earned his bachelor's degree from China University of Mining and Technology and obtained his EMBA from Nanjing University.

MR. ZHU BING CHENG
General Manager of Jiangsu Sunpower Pressure Vessel Equipment Manufacturing Co., Ltd.

Mr. Zhu joined Sunpower Group in 2004 and is currently the General Manager of Jiangsu Sunpower Pressure Vessels Equipment Manufacturing Co., Ltd.. From August 1997 to April 2004, he worked for Jiangsu Sunpower Petrochemical Engineering Co. Ltd.. From June 2005 to February 2008, he served as Deputy Director of the Nonferrous Metals Division of Jiangsu Sunpower High-Tech Industry Co., Ltd.. Between February 2008 and February 2010, he held the position of Deputy General Manager of the Machinery Manufacturing Division and Chemical Machinery Chemical Equipment Plant Director of Jiangsu Sunpower High-Tech Industry Co., Ltd. and Jiangsu Sunpower Machinery Manufacturing Co., Ltd.. He went on to serve as Deputy General Manager of the Machinery Manufacturing Division of these two companies from March 2010 to February 2015. Following this, he worked as the Deputy General Manager of Jiangsu Sunpower Pressure Vessel Equipment Manufacturing Co., Ltd. from February 2015 to December 2016, and then became Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd. till he resumed his current role. Mr. Zhu is a senior engineer. He graduated from the Nanjing Specialist Power College in 1998 and obtained his undergraduate degree from Southeast University in July 2005.

MR. XIANG BING
General Manager of Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd.

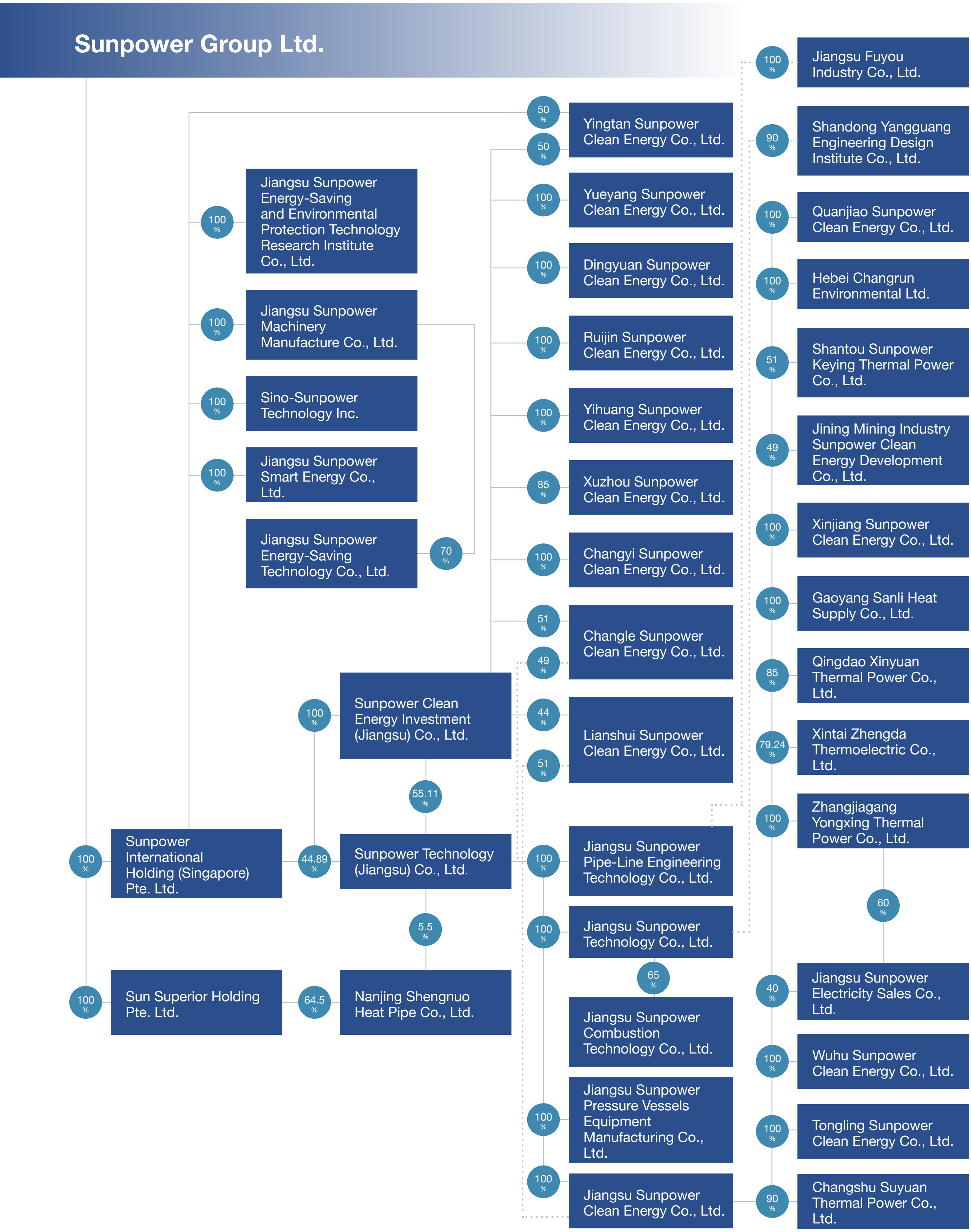
Mr Xiang Bing joined Sunpower Group in April 2004 and was the General Manager of the Pipe-line Engineering Division of Jiangsu Sunpower Technology Co., Ltd.. He is currently a Director and the General Manager of Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd.. He graduated in Heat Engineering from Harbin Institute of Technology in 1997, and completed a postgraduate course of Business Management in Nanjing University from 2008 to 2010. From 1997 to 1998, he was a design research technician at the Nanjing Boiler Plant. Between 1999 and 2004, he worked in Jiangsu Sunpower Petrochemical Engineering Co., Ltd., and covered roles in procurement, technology and production management. From April 2004 to April 2006, he served as Deputy Director of the Pipe Support Plant at the Jiangning District under Jiangsu Sunpower Technology Co., Ltd..

From April 2006 to February 2008, he served as Deputy Director of and Director of the Pipe Support Plant under the Pipe Support Division. From February 2008 to March 2013, he served as Deputy General Manager of and Director of the Pipe Support Plant under the Pipeline Accessories Division of Jiangsu Sunpower Technology Co., Ltd. and of Jiangsu Sunpower Machinery Manufacturing Co., Ltd.. Between March 2013 and February 2015, he was the General Manager of the Pipeline Accessories Division of Jiangsu Sunpower Technology Co., Ltd. and Jiangsu Sunpower Machinery Manufacturing Co., Ltd.. Since February 2015, he has been a Director and the General Manager of Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd..

MR. YUAN ZI WEI
Senior Vice President

Mr. Yuan joined Sunpower in 2013 and is the Group's Senior Vice President responsible for the EPC business under the M&S segment. Mr. Yuan was the Deputy General Manager of Jiangsu Sunpower Technology Co., Ltd. in 2013, and was promoted to General Manager between 2015 and 2018. Before he joined Sunpower, Mr. Yuan worked in Design Institute of Lanzhou of Sinopec from 1988 to 2003, and was appointed as the Vice President of the institute thereafter. He also served as the Deputy General Manager of Sinopec Ningbo Engineering Co., Ltd. from October 2003. Mr. Yuan graduated from Tsinghua University in 1988 and obtained his EMBA from China Europe International Business School in 2007.

CORPORATE STRUCTURE



CORPORATE GOVERNANCE REPORT

The board (the "**Board**") of directors ("**Directors**") and management ("**Management**") of Sunpower Group Ltd. (the "**Company**" and together with its subsidiaries the "**Group**") are committed to upholding a high standard of corporate governance in order to safeguard the interests of all stakeholders and to promote investors' confidence. To this end, the Board has in place a set of self-regulating and monitoring mechanisms, in accordance with the Code of Corporate Governance 2018 (the "**Code**") issued by the Monetary Authority of Singapore.

This report describes the Company's key corporate governance processes and practices with specific references to the Code.

1. Board matters

The Board's Conduct of Affairs

Principle 1: Effective Board to lead and control the Company

(i) Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. In addition, the Board has adopted a set of internal guidelines setting forth matters that require the Board's prior approval. The Board is responsible for decisions over matters involving, among other things, conflicts of interest of a substantial shareholder or a Director, approving annual budgets, financial plans, financial statements, business strategies and material transactions such as major acquisitions, divestments, interested person transactions, funding and investment proposals as well as corporate or financial restructuring, share issuance, declaration of dividends and other permitted returns to shareholders. The Group has put in place financial authorisation and approval limits for operating expenditure and procurement of goods and services. It delegates the formulation of business policies and day-to-day management to the executive Directors and its management team.

The principal functions of the Board are to:

(a) provide entrepreneurial leadership, review and approve the Group's key business strategies and financial objectives, including major investments and divestments and financing of projects;

(b) oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with regulatory authorities and the Group's internal control policies and procedures to safeguard the shareholders' interests and the Company's assets;

(c) review the performance of the management;

(d) identify key stakeholder groups and recognise that their perceptions could affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

(ii) All Directors act objectively to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

(iii) The Board discharges its responsibilities either directly or indirectly through various Board committees. These committees ("**Board Committees**") include the Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Audit Committee ("**AC**"). Each of the Board Committees functions within its terms of reference. If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation would be disclosed.

(iv) The Board has also established a risk management committee ("**RMC**") to assist the Board on the governance of risk. The membership and key functions of the RMC are set out in the later section of this report.

(v) The Board meets once a year to review and deliberate on the key activities and business strategies of the Group. The Board meets at least four (4) times a year to approve the release of the financial results for the first and third quarters, half-year and full-year. Additional meetings of the Board will be held where circumstances require. The Company's Bye-Laws allow a Board meeting to be conducted by way of teleconference and video-conference.

(vi) During the financial year, the attendance of each Director at meetings of the Board and Board Committees held in the financial year ended 31 December 2019 ("**FY2019**") is set out as follows:

	Board		AC		NC		RC	
	Number*	Attended*	Number*	Attended*	Number*	Attended*	Number*	Attended*
Guo Hong Xin	4	4	N/A	N/A	1	1	N/A	N/A
Ma Ming	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Jiang Ning (1)	1	1	1	1	1	1	1	1
Lau Ping Sum Pearce	4	4	4	4	1	1	1	1
Chin Sek Peng	4	4	4	4	1	1	1	1
Li Lei	4	4	N/A	N/A	1	1	1	1
Liu Haifeng David	4	3	N/A	N/A	1	1	1	1
Yang Zheng	4	4	4	4	1	1	N/A	N/A
Wang Dao Fu (2)	2	2	N/A	N/A	0	0	0	0

* Refer to meetings held and attended while each Director was in office.

(1) Jiang Ning retired as a Director and ceased to be the Chairman of the NC, a member of the AC, and a member of the RC on 25 April 2019.

(2) Wang Dao Fu was appointed a Director, Chairman of the NC and a member of the RC on 25 June 2019.

(vii) Each new and existing Director receives appropriate training to develop individual skills in order to discharge his duties as a director of a listed company. A formal letter of appointment would be furnished to every newly appointed Director upon his or her appointment explaining, among other matters, the roles, obligations, duties and responsibilities of a member of the Board. The Group also provides information about its history, mission and values to the Directors. Where necessary, the Directors will be updated regarding new legislation, regulations and changing commercial risks which are relevant to the Group. Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic direction, directors' duties and responsibilities and corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business. The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of their duties and responsibilities. These seminars and training will be funded by the Company.

(viii) The Company endeavours that changes to the listing rules ("**Listing Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are circulated to the Board, in particular where these changes are relevant to the Company. The external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

(ix) In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company prior to Board meetings.

Board Composition and Guidance

Principle 2: Strong and independent element on the Board

(i) The Board comprises the following members:

Name of Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as Director	Nature of appointment
Guo Hong Xin	Chairman	12 May 2004	25 April 2019	Executive/Non-Independent
Ma Ming	Director	12 May 2004	26 April 2018	Executive/Non-Independent
Lau Ping Sum Pearce	Director	2 February 2005	26 April 2018	Non-executive/Independent
Chin Sek Peng	Director	2 February 2005	25 April 2019	Non-executive/Independent
Li Lei	Director	3 March 2017	26 April 2017	Non-executive/Non-Independent
Liu Haifeng David	Director	10 November 2017	26 April 2018	Non-executive/Non-Independent
Yang Zheng	Director	10 November 2017	26 April 2018	Non-executive/Independent
Wang Dao Fu	Director	25 June 2019	–	Non-executive/Independent

(ii) The Board currently comprises eight (8) Directors, four (4) of whom are Independent Directors. In accordance with Provision 2.3 of the Code, the Board comprises six (6) Non-Executive Directors which makes up a majority of the Board.

The NC adopts the provisions of the Listing Rules and of the Code in its review of who can be considered as an Independent Director. The NC is of the view that all the non-executive Directors are independent except for Mr Li Lei and Mr Liu Haifeng David.

Under Provision 2.2 of the Code which will come into effect on 1 January 2022, independent directors are to make up a majority of the Board where the Chairman is not independent. Although Mr Guo Hong Xin is both the Executive Chairman and Chief Executive Officer ("**CEO**") of the Company, the Independent Directors do not currently make up the majority of the Board. Notwithstanding the foregoing, the Board believes that at this stage of the Company's development, Mr Guo's leadership in his dual roles as Executive Chairman and CEO is still merited as Mr Guo is the founder of the Company, possesses comprehensive technical, market and managerial knowledge, and has many industry connections that are vital to the success of the Group's business.

The Board is capable of maintaining the appropriate level of checks and balances. This is demonstrated in the fact that Mr Guo would recuse himself from matters where he has a material personal interest. In such cases, deliberations would be led by the Lead Independent Director. Upon Mr Guo's recusal, the Independent Directors would then make up the majority of the Board deciding on such matters. Accordingly, they are in a strong position to safeguard the interests of the Company, especially when there is a conflict of views and a majority vote is required to reach a decision. In addition, as each Director actively participates in the Board's decision-making process, decisions are made collectively without any individual or small group of individuals influencing or dominating the process.

(iii) Mr Lau Ping Sum Pearce and Mr Chin Sek Peng were first appointed as Directors of the Company on 2 February 2005 and have held their office as Directors for more than nine (9) years. The Board notes that on or after 1 January 2022, a director who has served on the board for a cumulative period of nine (9) years will no longer be eligible to be designated as an independent director unless a resolution from shareholders present and voting at the general meeting is sought, and approved in separate resolutions by (a) all shareholders and (b) shareholders excluding the directors, chief executive officer, and their associates.

The Board further notes that the SGX-ST has stated that to ensure that the independence designation of a director who has served for more than nine (9) years as at and from 1 January 2022 is not affected, a listed issuer should seek and obtain approvals for his continued appointment as an independent director prior to 1 January 2022. Therefore, the Company intends to seek approvals for the continued appointments of Mr Lau Ping Sum Pearce and Mr Chin Sek Peng at the Company's annual general meeting in calendar year 2021. In accordance with Rule 210(5)(d)(iii) of the Listing Rules (which will come into force on 1 January 2022, such approvals will remain valid until the conclusion of the third (3rd) annual general meeting following such approvals.

The Board conducted a rigorous review of their independence and sought written feedback from all Directors on the independence of each of the two (2) abovementioned Directors. The criteria applied by the Board for the review included whether each of the two (2) abovementioned Directors: (a) demonstrated the essential characteristics of independence expected by the Board; (b) expressed his views on matters discussed and debated issues objectively; (c) sought clarification and explanation when necessary; (d) scrutinised and challenged management on salient issues raised at meetings; and (e) acted objectively at all times, in the interests of the Company and its shareholders.

The Board has determined that based on the above criteria, Mr Lau Ping Sum Pearce and Mr Chin Sek Peng should be considered independent notwithstanding that they have served on the Board for more than nine (9) years.

(iv) The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making process.

(v) The Board comprises Directors who are all professionals with diverse backgrounds in financial, accounting, legal, and other industry sectors, thereby enabling them to contribute each of their respective areas of expertise in collectively leading the Company. The NC is of the view that the current Board consists of the appropriate mix of expertise and experience to meet the Company's targets. Qualifications and experiences of the Board members are set out on pages 22 and 23 of the Annual Report. Particulars of interests of Directors who held office at the end of the financial year in shares in the Company and in related corporations (other than wholly owned subsidiary companies) are set out in the Directors' Statement.

(vi) The non-executive Directors contribute to the Board processes by monitoring and reviewing the performance of the Management against its goals and objectives. Their views and opinions provide alternative perspectives to the Group's business, and they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

(vii) The non-executive Directors meet and/or hold discussions as and when required without the Management's presence to facilitate a more effective check on the Management.

(viii) Although the Board has not implemented specific policies on the makeup of the Board in terms of the gender, age, ethnic or background of the Directors, the NC will continue to take steps to ensure that these factors are duly considered to ensure that the Company has the appropriate level of diversity of background in its composition.

(ix) For the reasons stated above, although no formal Board diversity policy has been implemented, the NC and the Board of the Company are of the view that based on the Group's current size and operations, the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company, consistent with the spirit and intent of Principle 2 of the Code. As at the date of this report, the Board comprises six (6) non-executive Directors who make up the majority of the Board as well as two (2) Executive Directors.

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities at the top of the Company

(i) The roles of the executive chairman ("**Executive Chairman**") and CEO of the Company are undertaken by Mr Guo Hong Xin who is primarily responsible for overseeing the overall management and strategic development of the Group as well as the effective working of the Board. The responsibilities of the Executive Chairman and CEO include:

- leading the Board to ensure the effectiveness of its role in all respects;
- scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- preparing meeting agenda in consultation with other Directors;
- promoting a culture of openness and debate at the Board;
- ensuring that the Directors receive complete, adequate and timely information;
- ensuring effective communication with shareholders;
- encouraging constructive relations within the Board, and between the Board and the Management;
- assisting in ensuring the Group's compliance with the Code and promoting high standards of corporate governance;
- ensuring that Board meetings are held when necessary; and
- reviewing key proposals by the Management before they are presented to the Board.

(ii) The Company Secretaries may be called upon to assist the Executive Chairman and CEO in any of the above matters.

(iii) In view that the Executive Chairman is not an independent Director, the Company has appointed Mr Yang Zheng as the lead independent Director. Shareholders of the Company with concerns that could have a material impact on the Group, for which contact through the normal channels with the Executive Chairman, CEO, or chief financial officer ("**CFO**") have failed to resolve or is inappropriate, are able to contact the lead independent Director.

Mr Guo Hong Xin fulfils the role of the Executive Chairman and CEO of the Group because of his unique position and skillset. Mr Guo is the founder and the controlling shareholder of the Company and his interests that are fully aligned with those of the shareholders. He possesses technical, market knowledge as well as numerous industry connections that are very important to the Group's business.

As the founder and the controlling shareholder, Mr Guo is committed to acting objectively in the best interests, and for the long-term sustainability, of the Company. In his role as Executive Chairman and CEO, Mr Guo has always ensured that all management and employees, including himself, are held accountable for their performance, and in particular, with oversight from the lead independent Director. The Company also has in place a code of conduct and ethics. As the founder and Executive Chairman, Mr Guo is very involved in setting the appropriate top-down tone and corporate culture, and is committed to respecting the leadership of the lead independent Director, for instance, where it comes to recusing himself from discussions and decisions involving situations where he is conflicted. The Board believes that it is in the interests of the Company and its shareholders that Mr Guo assumes the responsibilities of the dual roles of both the Executive Chairman and CEO of the Group.

(iv) The Board believes that there is sufficient oversight and standards of accountability to ensure that there is a clear division of responsibilities between the leadership of the Board and management, and no one (1) individual has unfettered powers of decision-making, although the Company has differed from Provision 3.1 of the Code. As such, the Board is of the view that the practices adopted by the Company are consistent with the spirit and intent of Principle 3 of the Code.

Board Membership

Principle 4: Formal and transparent process for the appointment and re-appointment of directors to the Board

(i) The NC comprises Mr Lau Ping Sum Pearce, Mr Guo Hong Xin, Mr Chin Sek Peng, Mr Li Lei, Mr Liu Haifeng David, Mr Yang Zheng and Mr Wang Dao Fu, a majority of whom are independent Directors. The chairman of the NC, Mr Wang Dao Fu is an independent Director. The NC meets at least once a year and at other times as required.

(ii) The key terms of reference of the NC are as follows:

(a) the NC shall consist of not less than three (3) Directors, a majority of whom shall be independent Directors;

(b) the chairman of the NC shall be appointed by the Board and shall be an independent Director; and

(c) the Board shall appoint a new member of the NC within three (3) months of the date of cessation of a member so that the number of members does not fall below three (3) if a member, for any reason, ceases to be a member.

(iii) The NC performs the following functions in accordance with its terms of reference:

(a) carrying out annual reviews of the effectiveness of the Board and each Individual Director;

(b) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board, having regard to their background, potential contribution to the Group based on their experience and expertise, and ability to exercise independent business judgement;

(c) reviewing all candidates nominated for appointment as senior staff of the Management;

(d) reviewing and recommending to the Board, the Board structure, size and composition, taking into account the balance between executive and non-executive, independent and non-independent Directors and having regard at all times to the Listing Rules, principles of corporate governance and the Code;

(e) identifying and making recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting (the "**AGM**") of the Company, having regard to the Directors' contribution and performance;

(f) assessing the independence of the Directors (taking into account the circumstances set out in the Listing Rules, the Code and other salient factors); and

(g) proposing a set of objective performance criteria to the Board for approval and implementation, and to evaluate the effectiveness of the Board, its Board Committees and Directors as a whole and the contribution of each Director to the effectiveness of the Board, its Board Committees and Directors.

(iv) Pursuant to the Company's Bye-Laws and the Listing Rules, all Directors are required to submit themselves for re-nomination and re-election at least once every three (3) years.

(v) The NC is of the view that the effectiveness of each of the Directors is best assessed by a qualitative assessment of the Director's contributions, after taking into account his other listed company board directorships and other principal commitments. Therefore, the board has passed a resolution to remove the maximum number of listed company board representations that any of its directors may hold.

(vi) In the event that the Board decides to appoint new Directors, the NC will conduct an assessment to review the candidate's qualifications, attributes and past experience followed by interviewing short-listed candidates. The NC will also consider the proposed candidate's independence, expertise, background and skill sets before the NC makes its recommendations to the Board.

(vii) Save for their directorships in the Company, none of the independent Directors have any relationships with the Company and/or its related corporations, the Company's substantial shareholders, or the Company's officers.

The listed company directorships and principal commitments* of the Directors are set out in the table below:

Name of Directors	Listed Company Directorships	Principal Commitments*
Executive Directors		
Mr Guo Hong Xin	Sunpower Group Ltd.	Executive Chairman and NC member, CEO
	Genscript Biotech Corporation	Independent Director, AC member and NC Chairman
Mr Ma Ming	Sunpower Group Ltd.	Executive Director

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Name of Directors	Listed Company Directorships	Principal Commitments*
Independent Directors		
Mr Lau Ping Sum Pearce	Sunpower Group Ltd.	Independent Director, RC Chairman, AC member, NC member
	Huan Hsin Holdings Ltd.	Independent Director, RC Chairman
	Cortina Holdings Ltd.	Independent Director, RC Chairman, NC Chairman
	P5 Capital Holdings Ltd.	Director, Chairman of the Board, AC Chairman, NC member and RC member
	–	Member of the Singapore Institute of Directors, Member of the Programme Advisory Committee for BA Translation and Interpretation
	–	Examiner for Certification Examination for Professional Interpreters, School of Arts and Social Sciences, Singapore University of Social Sciences
Mr Chin Sek Peng	Sunpower Group Ltd.	Independent Director, AC Chairman, NC member, RC member
	Cortina Holdings Ltd.	Lead Independent Director, AC Chairman
	TEE Land Ltd.	Independent Director, AC Chairman
	Sitra Holdings (International) Ltd.	Lead Independent Director, AC Chairman
	–	Independent Director and AC Chairman of Singapore Women's & Children's medical Group Ltd
	–	Managing Partner responsible for running, managing and growing the professional services of PKF Singapore entities including PKF-CAP LLP, a firm of chartered accountants in Singapore
Mr Yang Zheng	Sunpower Group Ltd.	Lead Independent Director, AC member and NC member
	Jiangsu Kanion Pharmaceutical Co., Ltd.	Independent Director
	Luenmei Quantum Co., Ltd.	Independent Director
	Kingswood Enterprise Co., Ltd.	Independent Director
	Changzhou Architectural Research Institute Group Co., Ltd.	Independent Director
	–	Professor of Nanjing Audit University

Name of Directors	Listed Company Directorships	Principal Commitments*
Mr Wang Dao Fu	Matex International Ltd.	Independent Director
	–	Independent Director of Suzhou DieZhi Internet Technology Share Company
	–	Founding Partner of Yuan Tai Law Offices
	–	Director of Proceq Trading (Shanghai) Co. Ltd (China)
	–	Director of MOBO Information Technology Pte Ltd
	–	Director of SGD Investment Pte Ltd
Non-executive, non-independent Directors		
Mr Liu Haifeng David	Sunpower Group Ltd.	Non-executive and non-independent director, NC member, RC member
	–	Executive Chairman of DCP Capital
	Far East Horizon Ltd.	Non-executive director, Strategy and Investment Committee (Chairman)
Mr Li Lei	Sunpower Group Ltd.	Non-executive and non-Independent director, NC member, RC member
	–	Managing Director of CDH Investments Management (Hong Kong) Limited

* *The term "**principal commitments**" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board and contributions of each Director

(i) The Board has established a formal assessment process which will be carried out annually for evaluation of the performance of the Board as a whole and the contribution by individual Directors to the effectiveness of the Board. The following are certain of such performance criteria:

- attendance at Board meetings;
- level of participation at Board meetings and overall commitment;
- ability to strategise and propose sound business direction; and
- contribution of specialised knowledge.

(ii) The appraisal process requires the Directors to complete appraisal forms which will be collated by the external facilitator, Dentons Rodyk & Davidson LLP, who compile the results of the appraisal for review by the NC. The NC will thereafter report to the Board. Such an appraisal process was carried out in respect of FY2019.

Dentons Rodyk is also the Company's Singapore corporate secretarial services provider and Senior Partner Marian Ho of Dentons Rodyk serves as a secretary of the Company.

Access to information

(i) The Board is provided with management reports, and papers containing relevant background or explanatory information required to support the decision making process on an on-going basis and in a timely manner.

(ii) Board papers are circulated to the Directors before the scheduled meetings so as to allow for a better understanding of the issues and to achieve a more effective discussion time for questions that the Directors may have.

(iii) The Directors have separate and independent access to the senior Management and the Company Secretaries. The Company Secretaries administer, attend and prepare minutes of meetings of the Board and of the Board Committees, which are thereafter circulated. The Company Secretaries assist the Company to comply with the corporate secretarial aspects of the Bye-Laws and the applicable sections of the Listing Rules and the applicable sections of the Companies Act (Chapter 50, Singapore Statutes) and the Securities and Futures Act (Chapter 289, Singapore Statutes).

(iv) The appointment and removal of the Company Secretaries are subject to the approval of the Board.

(v) In carrying out their duties, the Directors, whether individually or as a group, have direct access to independent professional advisors to obtain advice, at the Company's expense.

2. Remuneration matters

Procedures for developing Remuneration Policies

Principle 6: Formal and transparent procedure for developing and fixing remuneration packages of Directors and key management executives

(i) The RC comprises Mr Lau Ping Sum Pearce, Mr Chin Sek Peng, Mr Li Lei, Mr Liu Haifeng David and Mr Wang Dao Fu. A majority of the aforementioned Directors are independent Directors. The chairman of the RC is Mr Lau Ping Sum Pearce, an independent Director. The RC meets at least once a year and at other times as required.

(ii) The key terms of reference of the RC are as follows:

(a) The RC shall consist of not less than three (3) Directors, a majority of whom shall be independent Directors. At least one (1) member should be knowledgeable in executive compensation, and if there is a need, expert advice may be obtained internally or externally.

(b) The chairman of the RC shall be appointed by the Board and shall be an independent Director.

(c) The Board shall appoint a new member of the RC within three (3) months of the date of cessation of a member so that the number of members does not fall below three (3) if a member, for any reason, ceases to be a member.

(iii) The duties and responsibilities of the RC include ensuring that there is a formal, transparent and objective procedure for fixing the remuneration packages of the Directors and key executives. Such level of remuneration should serve to attract, retain and motivate the Directors and key executives needed to manage the Company successfully. A proportion of such remuneration should be linked to performance of the Company as well as the individual concerned.

(iv) The RC performs the following functions in accordance with its terms of reference:

(a) reviewing and recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

(b) proposing to the Board, appropriate and meaningful measures for assessing the Directors' and key executives' performance;

(c) reviewing and recommending the specific remuneration package to the Board for each executive Director and the key executives;

(d) considering the eligibility of directors, executives and employees for benefits under long-term incentive schemes; and

(e) considering and recommending to the Board the disclosure of details of the Company's remuneration policy.

(v) Each member of the RC shall abstain from voting on any resolution concerning his own remuneration.

(vi) The RC shall review the Company's obligations arising in the event of the termination of the contract of service of any executive Director or key management personnel, to ensure that such contracts of service contain fair and reasonable termination clauses.

(vii) The RC may from time to time, and where necessary or required, seek professional advice internally and/or externally pertaining to remuneration of all Directors.

Principle 7: Remuneration of Directors and key management executives should be adequate, not excessive and linked to performance

(i) None of the independent Directors have service agreements with the Company. Each independent Director is paid a Director's fee which is determined by the Board based on the effort and time spent as well as responsibilities as member of the AC, NC and RC. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the independent Directors do not receive any remuneration from the Company.

(ii) According to the respective service agreements of the executive Directors:

- each service agreement is valid for an initial period of three (3) years which commenced from 1 January 2008 and shall be automatically renewed annually thereafter;

- the remuneration of the executive Directors includes a fixed salary and a variable performance related bonus which is designed to align their interests with those of the shareholders; and

- the service agreement may be terminated by either the Company or the relevant executive Director giving not less than six (6) months' notice in writing.

Directors' Fees

The proposed fees for non-executive Directors to compensate their time and effort comprise a basic retainer fee and additional fees for appointment to Board Committees and involvement in ad hoc projects. The Board believes that the fees for non-executive Directors are commensurate with their respective levels of contribution, taking into account factors such as effort, time spent, and responsibilities.

No Director decides his own fees. Directors' fees are recommended by the RC and are submitted for endorsement by the Board. Directors' fees are subject to the approval of shareholders at the AGM.

Currently, Directors' fees for each financial year are paid in arrears, in the following financial year, after obtaining shareholders' approval at the AGM.

The remuneration framework and structure is set out in the section on "Principle 8: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration".

As reflected in the table set out in the section on "Disclosure on Directors' and Key Executives' Remuneration", 54.4% of each Executive Director's remuneration is made up of variable or performance related income/ bonuses. The Board is of the view that this makes up a significant and appropriate portion of the Executive Directors' remuneration, and that the Executive Directors' performance- related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

Remuneration of Key Executives

The remuneration framework and structure are set out in the section on "Principle 8: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration". The proportion of the Key Executives' remuneration linked to performance is set out in the table in the section on "Disclosure on Directors' and Key Executives' remuneration". While the proportion varies between the Key Executives, the Board is of the view that in each case, performance related remuneration makes up a significant and appropriate proportion of the Key Executives' remuneration, is aligned with the interests of shareholders and other stakeholders and promotes the long- term success of the Company.

Principle 8: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

(i) The Company has a staff remuneration policy which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and variable bonus that is linked to the performance of the Company and individual.

(ii) Our remuneration framework is made up of three (3) key components:

- Base/fixed salary
- Variable or performance related income/bonuses
- Other benefits

<u>Base/fixed salary</u>

Fixed pay comprises a base salary.

<u>Variable or performance related income/bonuses</u>

Variable bonus payouts are based on actual achievement against corporate, business unit and individual performance objectives.

<u>Other benefits</u>

Social insurance fund comprising housing fund, old-age retirement pension, unemployment compensation, medical fund and car allowance.

(iii) A breakdown, showing the level and mix of each individual Director's and key executive's remuneration in FY2019 is reflected in the section on "Disclosure on Directors' and Key Executives' Remuneration".

(iv) The Sunpower Employee Share Option Scheme 2015 was approved and adopted by the shareholders of the Company at a special general meeting held on 29 April 2015.

On 19 May 2015, the Company granted a total of 59,220,000 share options at an exercise price of S$0.116. These share options are exercisable at any time two (2) years after the date of grant and expire no later than the tenth anniversary of the date of grant. Of the total of 59,220,000 share options granted on 19 May 2015, 5,922,000 share options were granted to Mr. Guo Hong Xin, executive Director and controlling shareholder of the Company; 8,968,000 share options were granted to Mr. Ma Ming, executive Director and controlling shareholder of the Company; and the remaining 44,330,000 share options were granted to the employees of the Group. As of 31 December 2019, an aggregate of 54,191,000 ordinary shares were issued and allotted pursuant to the exercise of options under the Sunpower Employee Share Option Scheme 2015.

Disclosure on Directors' and Key Executives' Remuneration

The Board has not disclosed the remuneration of the Company's individual Directors and key executives of the Group in full, in view of the competitive nature of the industry in which the Group operates and to maintain confidentiality on remuneration matters of the Group. While the Board acknowledges that not all of the information specified in Provision 8.1 of the Code has been disclosed, the Board believes that for the aforementioned reasons, this decision is in the interests of the Company. Furthermore, the Board believes that it has been sufficiently transparent (while balancing the interests of the Company and the Group) in relation to its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. As such, the Board believes that the practices that the Board has adopted are consistent with Principle 8 of the Code.

The variable or performance related income/bonus is to recognise the efforts and contributions and performance of the executive Directors and key executives, whether as a whole and/or on an individual basis, in particular where such efforts and contributions and/or performance may not be directly or immediately reflected in or attributable to the financial performance of the Company and the Group.

The level and mix of each Director's and key executive's remuneration in FY2019 is as follows:

Remuneration Band & Name of Director	Base/ fixed salary	Variable or performance related income/ bonuses	Director's fees	Other benefits*	Total
Executive Directors					
Between S$2,100,000 to S$2,600,000					
Mr Guo Hong Xin	44.9%	54.4%	–	0.7%	100%
Mr Ma Ming	44.9%	54.4%	–	0.7%	100%
Independent Directors					
Below S$250,000					
Mr Jiang Ning[(1)]	–	–	100%	–	100%
Mr Lau Ping Sum Pearce	–	–	100%	–	100%
Mr Chin Sek Peng	–	–	100%	–	100%
Mr Yang Zheng	–	–	100%	–	100%
Mr Wang Dao Fu[(2)]	–	–	100%	–	100%
Non-executive, non-independent Directors					
Mr Liu Haifeng David**	–	–	–	–	–
Mr Li Lei**	–	–	–	–	–
Key Executives					
Below S$250,000					
Ms Ge Cui Ping	64.4%	26.8%	–	8.8%	100%
Mr Chen Kai	62.1%	31.0%	–	6.9%	100%
Mr Gu Quan Jun	68.0%	28.5%	–	3.4%	100%
Mr Yuan Zi Wei	75.5%	18.1%	–	6.4%	100%
Mr Zhu Bing Cheng	35.7%	59.0%	–	5.3%	100%
Mr Xiang Bing	33.4%	61.1%	–	5.6%	100%

(1) Jiang Ning was ceased as a Director on 25 April 2019.
(2) Wang Dao Fu was appointed as a Director on 25 June 2019.
* *Other benefits include social insurance fund and car allowance.*
** *Mr Liu Haifeng David and Mr Li Lei do not receive remuneration from the Group.*

Other than Ms Ge Cui Ping, Mr Chen Kai, Mr Gu Quan Jun, Mr Yuan Zi Wei, Mr Zhu Bing Cheng and Mr Xiang Bing, the Group did not employ any other key executives in FY2019. The total remuneration paid to the above key executives (who are not Directors or the CEO) of the Company for FY2019 is RMB5.32 million.

Save as disclosed above, the Company does not have any employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S$100,000 during FY2019.

3. Accountability and audit

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's and Group's performance, position and prospects on a quarterly basis. Financial reports and other price sensitive information are disseminated to shareholders through announcements *via* SGXNet, press releases and the Company's website. The Management presents the quarterly financial results announcement to the AC for review and after the review, the AC recommends the financial results announcement to the Board for approval before being released. If required, the Group's external auditors' views will be sought. The Board ensures that all relevant regulatory compliance requirements and updates will be highlighted from time to time to ensure adequate compliance with the regulatory requirements. The Board will also review and approve any press releases concerning the Company's financial results. The Company's Annual Report is available on request and accessible on the Company's website.

The Board reviews operational and regulatory compliance reports from the Management to ensure compliance with all of the Group's operational practices and procedures and relevant regulatory requirements.

In line with the Listing Rules, the Board provides an assurance statement to the shareholders in respect of the interim financial results. The Management maintains regular contact and communication with the Board through various means, including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

Risk Management and Internal Controls

Principle 9: Sound system of internal controls

(i) The Group has put in place a system of risk management and internal controls to respond to financial, operational, compliance and information technology risks that are significant to the achievement of the Group's business objectives.

(ii) The Board reviews the adequacy and effectiveness of the Group's risk management and internal controls, including operational controls and is responsible for the overall internal control framework annually. The Board acknowledges that no cost-effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

(iii) The Board has obtained a written confirmation from the CEO (or equivalent) and the CFO (or equivalent) that:

   (a) the financial records of the Group have been properly maintained and the financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) to give a true and fair view of the Group's operations and financial position as at reporting date and its performance for the financial year then ended; and

   (b) the risk management and internal control systems that are in place in the Group are adequate and effective to address the key risks in the Group.

(iv) Based on the confirmation from the CEO and CFO as described above, review of the findings from the auditors on the Group's internal control and the management's responses to the auditors' recommendation for improvements to the Group's internal controls, review of minutes of the Risk Management Committee including any significant matters reported to the AC by the risk management team and discussions with the auditors and management, the Board with the concurrence of the AC, is of the opinion that internal controls are adequate and effective to address key financial, operational, and compliance risks as at 31 December 2019. Additionally, the Board is satisfied that the risk management systems that it has put in place together with the abovementioned internal controls are adequate and effective to address the key risks of the Group including information technology risk.

(v) To strengthen its risk management processes and framework, the RMC was formed in 2011. The members of RMC currently include Mr Guo Hong Xin and Mr Ma Ming, executive Directors, Mr Yang Zheng, independent director, Ms Ge Cui Ping, the CFO, and Ms Jiang Yanyun, the senior vice president. The RMC shall meet no less than two (2) times a year and at other times as required.

(vi) The RMC performs the following key functions in accordance with its terms of reference:

(a) evaluate and provide advice on the business risks (strategic, financial, operational and compliance with laws and regulations);

(b) study and identify internal controls and risk management strategies to manage the identified risks;

(c) design and implement new controls and strategies to address identified business risks;

(d) study and analyse material investments, financing and other operational management activities, and advise the Board; and

(e) any other functions as authorised by the Board.

The RMC is supported by the Operational Risk Management Group and Project Investment Risk Management Group that comprise mainly the heads of each business segment and other related members of the Management. Ms Zhang Hui Hui, who is a certified internal auditor, is the risk management secretary of the RMC. Based on the internal controls and risk management framework established, the team is responsible for supporting the RMC which includes the regular monitoring of risks and updating of the risk register as appropriate. It also carries out checking of operational and business areas as directed by Management ensuring that the Company has a comprehensive and sound risk management system that is operating as prescribed. Findings noted by them will be reported to the Management with any significant matters reported to the AC.

Audit Committee

Principle 10: Establishment of Audit Committee with discharges its duties objectively

(i) The AC comprises three (3) independent non-executive Directors, namely, Mr Chin Sek Peng, Mr Lau Ping Sum Pearce and Mr Yang Zheng.

The Chairman of the AC, Mr Chin Sek Peng is, by profession, a public accountant and a fellow practising member of the Institute of Singapore Chartered Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales and has worked in the accounting profession for almost 40 years. He is currently the managing partner of PKF-CAP LLP and its related entities in Singapore. The other members of the AC have many years of experience in business and financial management. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the function of the AC.

(ii) The key terms of reference of the AC include the following:

(a) the AC shall consist of not less than three (3) Directors appointed by the Board, all of whom shall be non-executive Directors with the majority being independent Directors. At least two (2) members of the AC shall have accounting or related financial management expertise or experience and its membership, details of its activities, number of meetings and attendance at such meetings, shall be disclosed annually; and

(b) the Board shall appoint a new member within three (3) months of cessation so that the number of members does not fall below three (3).

(iii) The AC performs, *inter alia*, the following key functions:

(a) reviewing with internal and external auditors their audit plans, their evaluation of the system of internal controls and the reports on their findings including recommendations for improvement;

(b) reviewing and reporting to the Board at least annually, the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls which are carried out internally and/or with the assistance of professional service firms;

(c) reviewing the Group's financial results and the announcements, and annual financial statements of the Company and its subsidiaries before submission to the Board for approval;

(d) reviewing the adequacy, effectiveness, scope and results of the external audit and the independence and objectivity of the external auditors;

(e) reviewing significant findings of internal investigations, if any;

(f) recommending to the Board the appointment or re-appointment of the external auditors and approving the remuneration and terms of engagement of the external auditors;

(g) reviewing interested person transactions; and

(h) any other functions as required by law or the Code.

(iv) The AC is authorised to investigate any matters in its terms of reference and has full access to and co-operation of the Management. The AC has full discretion to invite any Director or executive officer to attend its meetings, as well as access to reasonable resources to enable it to discharge its function properly.

(v) The AC meets with the external auditors and internal auditors without the presence of the Management annually. The AC also meets with the external auditors to discuss matters relating to internal accounting controls as well as the results of their audit of the Group.

(vi) The AC reviews, *inter alia*, the independence and objectivity of the external auditors annually, taking into consideration the nature and extent of any non-audit services provided to the Company by the external auditors. The AC seeks to maintain objectivity by reviewing all non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

(vii) The Group has complied with Rules 712, Rule 715 and Rule 716 of the Listing Rules in relation to its auditors.

(viii) The AC reads technical newsletters and attends seminars as appropriate and receives updates from the auditors during AC meetings, so as to keep abreast of changes in accounting standards and issues.

(ix) No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

Whistle-blowing Policy

The Board undertakes to investigate complaints of suspected fraud in an objective manner and has put in place a whistle-blowing policy and procedures which provide employees with well-defined and accessible channels within the Group, including a direct channel to the AC, for reporting suspected fraud, corruption, dishonest practices or other similar matters.

The policy aims to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal.

The AC Commentary to Key Audit Matters

The AC noted the two key audit matters ("**KAMs**") set out in the independent auditor's report namely (i) Recognising revenue, cost and intangible assets during construction phase for GI projects based on percentage completion, and (ii) Collectability of trade receivables. Similar to prior financial year, these two KAMs continued to be considered most significant by the auditor largely because the amount is material and there is a high level of judgement and estimate involved. They are therefore subject to greater emphasis and scrutiny in the audit and are selected by the auditor for communication with the AC.

The AC has discussed and reviewed the KAMs with the auditor and the Management and provided its comments in the table below.

	KAMs involving significant judgements and estimates by management	Matters considered by AC	Conclusion by AC
1	**Revenue, cost and intangible assets arising from Build-Operate-Transfer ("BOT") projects** *(Refer to Notes 3.2(a), 18 and 33 to the financial statements)*	The AC noted that the Group has BOT projects which involve expenditure of costs during the construction phase to be recovered from operating the facilities and selling steam and electricity in future. The Group recognises revenue in accordance with SFRS(I) 15 Revenue from Contracts with Customers, namely revenue is recognised when (or as) the performance obligations are satisfied. Intangible assets arising from costs incurred during the construction phase which are projected to be recoverable during the operating period are recognised in accordance with SFRS(I) INT 12 Service Concession Arrangements. The AC discussed with management and the auditor on the significant judgement and estimate made in relation to: (i) projection of total revenue which can be billed to end users during the operating period; (ii) estimation of construction cost and projection of cost during the operating period; (iii) evaluation of the estimated profit margins for the construction and operating phases; (iv) allocation of revenue between construction phase and operating phase of the BOT projects; and (v) recoverable amount of intangible assets which represent cost recoverable from future operations.	AC is satisfied that the intangible asset and revenue recognised for BOT projects during the construction phase is in accordance with the guidance set out in SFRS(I) INT 12 Service Concession Arrangements.

	KAMs involving significant judgements and estimates by management	Matters considered by AC	Conclusion by AC
2	**Collectability of trade receivables and contract assets** *(Refer to Notes 3.2(b) and 8 to the financial statements)*	Trade receivables and contract assets net of loss allowance at 31 December 2019 stood at RMB1,352 million and accounted for about 17.8% of total assets. Aged trade receivables and contract assets in excess of one year and in excess of two years amounted to RMB203.6 million and RMB55.6 million respectively. The provision for expected credit loss of trade receivables and contract assets is considered to be a key matter of significance as it requires the application of judgement by management. The AC has considered the following matters: (i) ageing of trade receivables and contract assets and noted that 84.9% of trade receivables and contract assets are less than one year while 10.9% are more than 1 year and less than 2 years, and 4.2% are more than 2 years as at 31 December 2019; (ii) the profile of the key customers; and (iii) the allowance made for doubtful trade receivables and contract assets based on the expected credit loss model and the amount of doubtful debt allowance made in the past for aged debts, which were reversed during the year as a result of collections. In this regard, the AC noted the reversal of loss allowance of about RMB21.7 million being credited to profit or loss in FY2019. The AC also discussed with: (i) management on its assessment of collectability of trade receivables and the adequacy of loss allowance made including subsequent collections from customers; and (ii) the auditor on the work it performed on the evaluation of collectability of trade receivables including receivables that arose from revenue recognised over time using the input and output methods. The AC noted from management that most of the trade receivables and contract assets are due from customers that are state-owned enterprises, listed companies or multinational corporations and therefore, while collection is comparatively slow, these customers are creditworthy and financially capable to make the payment as evident from the history of payments including doubtful debts provided in prior years but subsequently recovered in the current financial year.	The AC is satisfied with the judgement and estimate made by management on the adequacy of the allowances for doubtful trade receivables

Internal Audit

(i) The Company engaged an external professional service firm, Nexia TS Risk Advisory Pte Ltd ("**Nexia TS**"), to perform internal audit review and test of controls of critical processes, based on the internal audit plan which is approved by the AC before the commencement of work each year.

(ii) Nexia TS has unfettered access to all the Group's documents, records, properties and personnel, and have unrestricted access to the AC.

(iii) The AC reviewed the scope of internal audit work and the key audit procedures, including any findings from each review and the Management's responses thereto; and ensured the adequacy of the internal audit function annually. Team members of Nexia TS comprised members of the Institute of Internal Auditors Singapore ("**IIA**"), a professional association for internal auditors which has its headquarters in the United States. The internal audit work carried out by Nexia TS is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) which is laid down in the International Professional Practices Framework issued by the IIA.

The internal audit is planned independently in consultation with the AC. The AC oversees the activities and work done by the internal auditors and ensures that the internal audit plans are aligned with the Group's risk management programme. This is intended to assure that effective and efficient controls are in place to manage the risks in the Group.

The AC is satisfied that the internal audit function is adequately resourced.

4. Shareholder rights and engagement

Principle 11: Shareholder Rights and Conduct of General Meetings

(i) At AGMs, shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM is the principal forum for dialogue with shareholders. The Board supports the Code's principle to encourage shareholder participation. The Bye-Laws allow a shareholder of the Company to appoint one (1) or two (2) proxies to attend the AGM and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders *via* the internet is not compromised.

(ii) The members of the AC, NC and RC will be present at the AGM to address queries relating to the work of these committees. The Company's auditors are also invited to attend the AGM.

(iii) All resolutions tabled at the general meetings are voted by poll for which the procedures are clearly explained by the scrutineers. The voting results of each resolutions tabled are announced at the meeting and in an announcement released after the meeting to the SGX-ST *via* SGXNet.

(iv) The resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are in single item resolutions.

(v) The Company Secretaries prepare minutes of general meetings that include comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and the Management, and are made available to shareholders upon their request.

(vi) The Company has not implemented electronic voting at general meetings in view of the cost involved but will consider implementing it in future if electronic voting is more cost efficient to do so.

(vii) The attendance of each Director at general meetings held in FY2019 is set out as follows:

	AGM (25 April 2019)	Special General Meeting (25 April 2019)
	Attended	Attended
Guo Hong Xin	X	X
Ma Ming	√	√
Jiang Ning	X	X
Lau Ping Sum Pearce	√	√
Chin Sek Peng	√	√
Li Lei	X	X
Liu Haifeng David	X	X
Yang Zheng	√	√
Wang Dao Fu[(1)]	N/A	N/A

(1) Wang Dao Fu was appointed a Director on 25 June 2019.

(viii) The Company treats shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company releases resolutions passed at Shareholders' meetings through SGXNet together with the breakdown of all valid votes cast at the meeting as soon as practicable. The Company shall disclose or publish the minutes of general meetings of shareholders on its corporate website.

(ix) The Group does not have a fixed dividend policy at present. However, the Board would consider recommending a dividend as appropriate each year after considering the Group's profit, cash position and projected capital requirements for its operation and business growth.

Principle 12: Engagement with Shareholders

(i) The Board is mindful of the obligation to keep shareholders informed of all major developments that affect the Group in accordance with the Listing Rules.

(ii) Information is communicated to shareholders on a timely basis through:

- annual reports that are prepared and issued to all shareholders within the mandatory period;
- public announcements *via* SGXNet system, the press and analysts;
- notices of annual general meetings; and
- the Company's corporate website at http://www.sunpower.com.cn and investor relations website at http://sunpower.listedcompany.com/ which shareholders can access information on the Group.

(iii) The Board will support and encourage active shareholders' participation at AGMs as it believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management, and to interact with them.

(iv) General meetings have been and are still the principal forum for dialogue with the shareholders. They offer opportunities for the Board to interact with shareholders, understand their views, gather feedback as well as address concerns. Enquiries by shareholders are dealt with as promptly as practicably possible.

(v) The Company is committed to upholding high standards of corporate transparency and disclosure, whilst safeguarding its commercial interests.

(vi) The Group does not practise selective disclosure. The Company makes every effort to ensure that shareholders have easy access to clear, meaningful and timely information on the Company in order to make informed investment decisions. All material information and presentation slides (if any) would be released *via* SGXNet on a timely basis.

5. Managing stakeholder relationships

Principle 13: Engagement with Stakeholders

(i) The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups and discloses its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period in its sustainability report that is released separately from its Annual Report.

(ii) The Company has its own corporate and investor relations websites and updates them on a timely basis to communicate and engage with stakeholders. In addition, the Company has established diverse communication channels to proactively communicate and engage with its stakeholders as introduced in the Company's Sustainability Report. For further details, please refer to the Company's Sustainability Report.

6. Dealings in securities

(Rule 1207 (19) of the Listing Manual)

Directors and officers of the Group are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three (3) quarters of the financial year and one (1) month before the announcement of the Company's full year financial statements, and ending on the date of the announcement of the relevant results.

The Company has complied with the SGX-ST's rules on best practices on dealings in the Company's securities in FY2019.

7. Interested Person Transactions

(Rule 907 of the Listing Manual)

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The aggregate value of interested person transactions entered into during the year was as follows:

Name of Interested Person	Aggregate value of all interested person transactions for the financial year ended 31 December 2019 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S$100,000) RMB'000
Nanjing Top Chemical Technology Co., Ltd.		
- Purchase of reactors and filters[1]	599[2]	–

[1] The purchase of reactors and filters was a one-off transaction for use in a project during FY2019.

[2] The exchange rate applied is the actual exchange rate used in the transaction.

8. Material Contracts

(Rule 1207(8) of the Listing Manual)

Save for the service agreements between the executive Directors and the Company, there are no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting at the end of FY2019.

9. Use Of Proceeds From Convertible Bonds

On 3 March 2017, the Company completed the issuance of first tranche convertible bonds of an aggregate principal amount of US$110 million ("**Tranche 1 Convertible Bonds**" or "**CB1**"), which are convertible into fully paid ordinary shares in the capital of the Company to Glory Sky Vision Limited ("**Glory Sky**", ultimately indirectly and beneficially owned by CDH Fund V, L.P.).

Subsequently on 10 January 2018, Glory Sky transferred US$60 million in principal amount of the CB1 to DCP. As a result of which, DCP and CDH (each an "**Investor**" and collectively, the "**Investors**") holds US$60 million and US$50 million convertible bonds issued under CB1 of the Company, respectively.

On 6 September 2018, the Company obtained shareholders' approval for the issuance of a second tranche convertible bonds of an aggregate principal amount of US$70 million ("**Tranche 2 Convertible Bonds**" or "**CB2**") and warrants exercisable at an aggregate amount of US$30 million (the "**Warrants**" or the "**Warrant Shares**") to DCP and Blue Starry Energy Limited and Glory Sky to fund the green investment ("**GI**") related business of the Company.

Following the issuance of CB2 to the Investors, DCP and CDH will each hold up to US$120 million and US$60 million of CB1 and CB2 (collectively, the "**Convertible Bonds**") of the Company, respectively, convertible into fully paid ordinary shares in the capital of Company. The total aggregate principal amount of Convertible Bonds issued by the Company will be up to US$180 million. The Convertible Bonds will mature in March 2022.

The net proceeds raised from CB1 is approximately US$106.2 million after deducting transaction expenses of US$3.8 million, while expected net proceeds from the issuance of CB2 will be approximately US$67.6 million, after deducting transaction expenses of approximately US$2.4 million. The Company completed the issuance of CB2 of an aggregate principal amount of US$20 million on 15 October 2018 and has completed the issuance of 57,625,714 warrants by 21 December 2018.

The net proceeds have been and will be utilised for the expansion and further investment into Green Investments business, including by way of BOT/BOO/TOT models of centralised steam and electricity projects and other environmental protection related projects.

As at 30 April 2020, the Company has utilised an aggregate of US$123.8 million of the net proceeds from Convertible Bonds as per schedule below.

Project	Use of Convertible Bonds Proceeds	Amount
Yongxing Plant	Purchase consideration of the acquisition	US$50.2 million (approximately RMB325.5 million)
Shantou Project	Project construction and equipment procurement	US$20.4 million (approximately RMB132.6 million)
Xinyuan Plant	Purchase consideration of the acquisition	US$13.1 million (approximately RMB85.0 million)
Xintai Zhengda Plant	Purchase consideration of the acquisition and construction of new facilities	US$22.0 million (approximately RMB145.0 million)
Jining Project	Installation of steam distribution pipeline	US$1.6 million (approximately RMB10.3 million)
Liutuan Project	Registered capital	US$0.8 million (approximately RMB5.2 million)
Xinjiang Project	Registered capital	US$1.4 million (approximately RMB9.0 million)
Yingtan Project	Registered capital	US$0.1 million (approximately RMB0.5 million)
Shandong Yangguang Institute	Purchase consideration of the acquisition	US$4.3 million (approximately RMB28.0 million)
General	Administrative and general expenses for business expansion of Green Investment related business	US$9.9 million (approximately RMB64.6 million) [1]
Total Convertible Bonds Proceeds utilised		**US$123.8 million (approximately RMB805.7 million)**

Note:

(1) It consists of (a) RMB42.7 million of remuneration for the development and management teams of GI; (b) RMB20.3 million of pre-development expenses of GI projects, such as costs expended for pre-investment due diligence activities, including project inspection, valuation and audit fees, communication costs and travel expenses etc; (c) RMB1.5 million of purchase of fixed assets for development teams of GI business; (d) RMB0.1 million of stamp duties for applicable GI transactions.

(2) The Company has paid the transaction expenses of approximately US$2.4 million related to the issuance of CB2.

(3) With the first drawdown of US$20 million in October 2018, the balance of Convertible Bonds proceeds of US$50 million not yet drawn down has already been committed in the investment of the GI projects.

(4) The exchange rate is based on the actual settlement conditions.

Each of the above utilisation of the proceeds from the Convertible Bonds is consistent with the intended use as disclosed in the Company's circular to shareholders dated 13 February 2017 and 21 August 2018.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of Sunpower Group Ltd. (the "Company") and its subsidiaries (the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2019.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 59 to 157 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Guo Hong Xin
Ma Ming
Lau Ping Sum Pearce
Chin Sek Peng
Li Lei
Liu Haifeng David
Yang Zheng
Wang Dao Fu (Appointed June 25, 2019)

2 Arrangements to Enable Directors to Acquire Benefits By Means of The Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraph 4 of the Directors' statement.

3 Directors' Interests in Shares and Debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations except as follows:

Name of directors and companies in which interests are held	At January 1, 2019	At December 31, 2019	At January 21, 2020
Interest in Sunpower Group Ltd. Ordinary shares			
Guo Hong Xin (deemed interest)	**147,716,554**	**153,638,554**	153,638,554
Ma Ming (deemed interest)	**128,541,737**	**137,509,737**	137,509,737
Ma Ming (direct interest)	**3,553,200**	**–**	–

4 Share Options

(a) Options to take up unissued shares

The Sunpower Employee Share Option Scheme 2015 (the "2015 ESOS") is administered by the Remuneration Committee which comprises:

Lau Ping Sum Pearce (Chairman)
Chin Sek Peng
Li Lei
Liu Haifeng David

A total of 59,220,000 shares options were granted on May 19, 2015 under the 2015 ESOS which was approved by shareholders on April 29, 2015. Group Employees, Executive Directors, Non-Executive Directors, Controlling Shareholders and their Associates (all as defined in 2015 ESOS) can participate in the 2015 ESOS.

Subject to the absolute discretion of the Remuneration Committee, Controlling Shareholders and their Associates (as defined in the circular to the shareholders dated April 6, 2015) are eligible to participate in the 2015 ESOS, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option to any of them may only be effected with the specific prior approval of independent shareholders in a general meeting by a separate resolution as provided for in the circular to shareholders.

(b) Unissued shares under option and options exercised

The aggregate number of shares for which options can be granted under the 2015 ESOS is subject to the maximum limit of 15% of the Company's total number of issued shares (excluding treasury shares) for the entire ten-year duration of the 2015 ESOS. Grants to Controlling Shareholders and their Associates shall not exceed 25% of the shares available under the 2015 ESOS. In addition, grants to each Controlling Shareholder or his Associate shall not exceed 10% of the shares available under the 2015 ESOS.

Number of options to subscribe for ordinary shares of the Company:

Date of grant	Outstanding at January 1, 2019	Exercised	Cancelled/ Lapsed	Outstanding at December 31, 2019	Exercise price per share	Exercisable period
	('000)	('000)	('000)	('000)		
May 19, 2015	**31,430**	**26,401**	**–**	**5,029**	S$0.116	May 20, 2017 to May 19, 2025

A total of 44,330,000 options were granted to employees of the Group in FY2015.

4 Share Options (Cont'd)

(b) **Unissued shares under option and options exercised (Cont'd)**

No employee of the Group has received 5% or more of the total options available under this scheme except as disclosed below:

There are no options granted to any of the Company's Controlling Shareholders or their Associates (as defined in the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual) except as disclosed below:

Name of participant	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
	('000)	('000)	('000)	('000)	('000)
Guo Hong Xin (Director)	–	5,922	(5,922)	–	–
Ma Ming (Director)	–	8,968	(8,968)	–	–

During the financial year, shares amounting to 26,400,800 (2018 : 27,790,000) of the Company have been issued by virtue of the exercise of options to take up unissued shares.

5 Audit Committee

The Board has adopted the principles of corporate governance as described in the Code of Corporate Governance formulated by the Singapore Exchange Securities Trading Limited ("SGX-ST") with regards to the Audit Committee.

The Audit Committee of the Company is chaired by Chin Sek Peng, and include Lau Ping Sum Pearce and Yang Zheng. All the members of the Audit Committee are independent directors of the Company.

The Audit Committee has met 4 times during the financial year ended December 31, 2019. The Audit Committee has reviewed the following, where relevant, with the executive directors and the external and internal auditors of the Company:

a. The audit plans and results of the internal auditor's examination and evaluation of the Group's systems of internal accounting controls;

b. The Group's financial and operating results and accounting policies;

c. The audit plans of the external auditors;

d. The statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

e. The quarterly, half-yearly and annual announcements as well as the related press release on the results announcements of the Group;

f. The co-operation and assistance given by management to the Group's external auditor; and

g. The re-appointment of the external auditor of the Group.

5 Audit Committee (Cont'd)

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditor of the Group at the forthcoming annual general meeting of the Company.

6 Auditor

The auditor, Deloitte & Touche LLP, has expressed its willingness to accept re-appointment.

ON BEHALF OF THE BOARD

....
Guo Hong Xin

....
Ma Ming

May 21, 2020

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sunpower Group Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 157.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the statement of changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants* and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>
(1) Revenue, cost and intangible assets arising from Build-Operate-Transfer ("BOT") projects
(Refer to Notes 3.2(a), 18 and 33 to the financial statements)

The Group has BOT projects which involve expenditure of costs during the construction phase to be recovered from operating the facilities and selling steam and electricity in future.

The Group recognises revenue in accordance with SFRS(I) 15 Revenue from Contracts with Customers, namely revenue is recognised when (or as) the performance obligations are satisfied. Intangible assets arising from costs incurred during the construction phase which are projected to be recoverable during the operating period are recognised in accordance with SFRS(I) INT 12 Service Concession Arrangements.

Significant estimates and judgement include the following:

• Projection of total revenue which can be billed to end users during the operating period.
• Estimation of construction cost and projection of cost during the operating period.
• Evaluation of estimated profit margins for each of the construction and operating phases.
• Allocation of revenue between the construction and service elements of the project.
• Recoverable amount of intangible assets which represent cost recoverable from future operations.
</td><td>
We:
• assessed the design and implementation of internal controls over preparation of budgets/ projection of costs;
• reviewed management's estimates and projections relating to the above areas of significant estimates and judgement;
• evaluated support of such estimates such as construction contracts signed with third parties, projection of coal costs based on budgeted price list and quantities;
• compared the estimated margins of the construction phase with the Group's construction margins for the past three years as a basis of evaluating reasonableness of estimated margins;
• compared the estimated margins with those of comparable listed companies with similar businesses; and
• reviewed the basis for management conclusion that the amount of intangible assets is recoverable for each of the BOT projects, which includes review of management's projections of the margins and return from the BOT projects during the concession periods

We reviewed the adequacy of disclosures in the financial statements regarding accounting policies, significant management judgement and accounting estimates in Notes 2 and 3.2(a) to the financial statements respectively.
</td></tr>
<tr><td>
(2) Collectability of trade receivables and contract assets
(Refer to Notes 3.2(b) and 8 to the financial statements)

At December 31, 2019, aged trade receivables and contract assets in excess of one year and in excess of two years amounted to RMB203.6 million and RMB55.6 million respectively. Significant management judgement and accounting estimates are involved in estimating the recoverable amount of aged receivables.

The provision for expected credit loss of trade receivables and contract assets is considered to be a key matter of significance as it requires the application of judgement by management.
</td><td>
We:
• assessed the design and implementation of internal controls;
• reviewed the completeness and accuracy of ageing report and obtained information from management regarding underlying reasons for slow payment;
• evaluated the expected credit loss estimated using a provision matrix which includes historical and forward-looking information;
• considered the reasonableness of management judgement regarding the collection prospects (including the financial ability of customers and disputes, if any) and estimation of recoverable amount; and
• considered the subsequent receipts, if any, and the reasonableness of lifetime expected credit loss.

We reviewed the adequacy of disclosures in Notes 3.2(b) and 8 to the financial statements.
</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsia Chee Wah.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

May 21, 2020

STATEMENTS OF FINANCIAL POSITION

December 31, 2019

	Note	GROUP 2019 RMB'000	GROUP 2018 RMB'000	COMPANY 2019 RMB'000	COMPANY 2018 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	**690,481**	685,306	**13,343**	81,580
Pledged bank deposits	7	**107,047**	112,381	**–**	–
Trade receivables and contract assets	8	**1,352,243**	1,191,540	**–**	–
Other receivables, deposits and prepayments	9	**340,931**	390,179	**39,708**	27,144
Inventories	10	**545,015**	499,862	**–**	–
Land use rights	12	**7,132**	5,822	**–**	–
Financial assets at fair value through other comprehensive income	14	**191,532**	97,278	**–**	–
Total current assets		**3,234,381**	2,982,368	**53,051**	108,724
Non-current assets					
Land use rights	12	**294,217**	285,513	**–**	–
Property, plant and equipment	13	**1,012,861**	869,813	**–**	–
Other receivables, deposits and prepayments	9	**45,639**	12,667	**120,510**	198,800
Financial assets at fair value through other comprehensive income	14	**12,291**	11,718	**–**	–
Right-of-use assets	15	**14,003**	–	**–**	–
Subsidiaries	16	**–**	–	**998,038**	955,558
Associate	17	**10,453**	9,257	**–**	–
Intangible assets	18	**2,526,828**	2,073,728	**–**	–
Deferred tax assets	19	**40,011**	28,671	**–**	–
Goodwill	20	**415,582**	335,769	**–**	–
Commitment fee	25	**11,172**	13,943	**11,172**	13,943
Total non-current assets		**4,383,057**	3,641,079	**1,129,720**	1,168,301
Total assets		**7,617,438**	6,623,447	**1,182,771**	1,277,025
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables and contract liabilities	21	**1,586,284**	1,717,110	**–**	–
Other payables	22	**526,492**	798,295	**69,784**	69,403
Lease liabilities	26	**3,702**	–	**–**	–
Borrowings	23	**1,009,611**	492,904	**41,857**	41,179
Warrants	25	**5,917**	8,997	**5,917**	8,997
Income tax payable		**70,799**	58,812	**–**	–
Total current liabilities		**3,202,805**	3,076,118	**117,558**	119,579
Non-current liabilities					
Deferred tax liabilities	19	**213,716**	148,190	**–**	–
Borrowings	23	**1,272,203**	839,429	**–**	41,179
Convertible bonds	24	**921,307**	729,442	**921,307**	729,442
Lease liabilities	26	**7,539**	–	**–**	–
Total non-current liabilities		**2,414,765**	1,717,061	**921,307**	770,621

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019

	Note	GROUP 2019 RMB'000	GROUP 2018 RMB'000	COMPANY 2019 RMB'000	COMPANY 2018 RMB'000
Capital and reserves					
Share capital	27	**57,251**	55,439	**57,251**	55,439
Treasury shares	28	**(4,690)**	–	**(4,690)**	–
Share premium	29	**309,061**	288,618	**309,061**	288,618
General reserves	30	**183,165**	117,892	**–**	–
Share option reserve	31	**1,346**	8,406	**1,346**	8,406
Foreign currency translation reserve		**19**	(21)	**–**	–
Revaluation reserve	32	**(3,212)**	(2,964)	**–**	–
Retained earnings (Accumulated losses)		**1,190,358**	1,122,481	**(219,062)**	34,362
Equity attributable to equity holders of the Company		**1,733,298**	1,589,851	**143,906**	386,825
Non-controlling interests		**266,570**	240,417	**–**	–
Total equity		**1,999,868**	1,830,268	**143,906**	386,825
Total liabilities and equity		**7,617,438**	6,623,447	**1,182,771**	1,277,025

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Financial year ended December 31, 2019

		GROUP	
	Note	2019	2018
		RMB'000	RMB'000
Revenue	33	3,604,632	3,262,893
Cost of sales		(2,716,075)	(2,569,081)
Gross profit		888,557	693,812
Other operating income	34	81,267	68,436
Selling and distribution expenses		(53,752)	(58,052)
Administrative expenses		(281,151)	(301,972)
Other operating expenses		(83,672)	(30,003)
Finance costs	35	(224,185)	(146,776)
Share of (profit) loss of associate	17	1,196	(1,033)
Fair value changes on convertible bonds	24	(91,288)	165,390
Fair value changes on warrants	25	3,080	4,900
Profit before income tax	36	240,052	394,702
Income tax expense	37	(90,708)	(62,147)
Profit for the year		149,344	332,555
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operation		40	116
Net fair value loss on investments in equity instruments designated as at FVTOCI		500	(1,845)
Net fair value gain on investments in debt instruments classified as at FVTOCI		(569)	65
Other comprehensive loss for the year, net of tax		(29)	(1,664)
Total comprehensive income for the year		149,315	330,891
Profit for the year attributable to:			
Equity holders of the Company		138,042	320,520
Non-controlling interests		11,302	12,035
Profit for the year		149,344	332,555
Total comprehensive income for the year attributable to:			
Equity holders of the Company		137,834	318,856
Non-controlling interests		11,481	12,035
Profit for the year		149,315	330,891
Earnings per share (RMB cents)			
- Basic	38	17.67	43.42
- Diluted	38	28.73	23.32

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Financial year ended December 31, 2019

	Share capital	Treasury shares	Share premium	General reserves (Note 30)	Share option reserve	Foreign currency translation reserve	Revaluation reserve	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GROUP											
Balance as at January 1, 2018	53,531	–	266,938	87,921	15,839	(137)	(1,184)	836,171	1,259,079	141,122	1,400,201
Total comprehensive income for the year:											
Profit for the year	–	–	–	–	–	–	–	320,520	320,520	12,035	332,555
Other comprehensive loss for the year	–	–	–	–	–	116	(1,780)	–	(1,664)	–	(1,664)
Total	–	–	–	–	–	116	(1,780)	320,520	318,856	12,035	330,891
Transactions with owners, recognised directly in equity:											
Dividend paid (Note 39)	–	–	–	–	–	–	–	(4,239)	(4,239)	–	(4,239)
Dividend paid to non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	(3,600)	(3,600)
Transfer to general reserves (Note 30)	–	–	–	29,971	–	–	–	(29,971)	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	63,700	63,700
Non-controlling interests arising from acquisition of subsidiaries (Note 40)	–	–	–	–	–	–	–	–	–	27,160	27,160
Employee share option expenses (Note 31)	1,908	–	21,680	–	(7,433)	–	–	–	16,155	–	16,155
Total	1,908	–	21,680	29,971	(7,433)	–	–	(34,210)	11,916	87,260	99,176
Balance as at December 31, 2018	55,439	–	288,618	117,892	8,406	(21)	(2,964)	1,122,481	1,589,851	240,417	1,830,268

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Financial year ended December 31, 2019

	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	General reserves (Note 30) RMB'000	Share option reserve RMB'000	Foreign currency translation reserve RMB'000	Revaluation reserve RMB'000	Retained earnings RMB'000	Equity attributable to equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
GROUP											
Balance as at January 1, 2019	55,439	–	288,618	117,892	8,406	(21)	(2,964)	1,122,481	1,589,851	240,417	1,830,268
Total comprehensive income for the year:											
Profit for the year	–	–	–	–	–	–	–	138,042	138,042	11,302	149,344
Other comprehensive loss for the year	–	–	–	–	–	40	(248)	–	(208)	179	(29)
Total	–	–	–	–	–	40	(248)	138,042	137,834	11,481	149,315
Transactions with owners, recognised directly in equity:											
Dividend paid (Note 39)	–	–	–	–	–	–	–	(7,302)	(7,302)	–	(7,302)
Dividend paid to non-controlling interest of a subsidiary	–	–	–	–	–	–	–			(4,500)	(4,500)
Transfer to general reserves (Note 30)	–	–	-	62,863	–	–	–	(62,863)	–	–	–
Non-controlling interests arising from acquisition of subsidiaries (Note 40)	–	–	–	–	–	–	–	–	–	31,794	31,794
Effects of acquiring part of non-controlling interest in a subsidiary	–	–	–	2,410	–	–	–	–	2,410	(12,622)	(10,212)
Employee share option expenses (Note 31)	1,812	–	20,443	–	(7,060)	–	–	–	15,195	–	15,195
Repurchase of shares (Note 28)	–	(4,690)	–	–	–	–	–	–	(4,690)	–	(4,690)
Total	1,812	(4,690)	20,443	65,273	(7,060)	–	–	(70,165)	5,613	14,672	20,285
Balance as at December 31, 2019	57,251	(4,690)	309,061	183,165	1,346	19	(3,212)	1,190,358	1,733,298	266,570	1,999,868

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Financial year ended December 31, 2019

	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Equity attributable to equity holders of the Company RMB'000	Total RMB'000
COMPANY							
Balance as at January 1, 2018	53,531	–	266,938	15,839	(6,577)	329,731	329,731
Profit for the year, representing total comprehensive income for the year	–	–	–	–	45,178	45,178	45,178
Transactions with owners, recognised directly in equity							
Employee share option expenses (Note 29)	1,908	–	21,680	(7,433)	–	16,155	16,155
Dividend paid (Note 39)	–	–	–	–	(4,239)	(4,239)	(4,239)
Total	1,908	–	21,680	(7,433)	(4,239)	11,916	11,916
Balance as at December 31, 2018	55,439	–	288,618	8,406	34,362	386,825	386,825
Loss for the year, representing total comprehensive loss for the year	–	–	–	–	(246,122)	(246,122)	(246,122)
Transactions with owners, recognised directly in equity							
Employee share option expenses (Note 31)	1,812	–	20,443	(7,060)	–	15,195	15,195
Repurchase of shares (Note 28)	–	(4,690)	–	–	–	(4,690)	(4,690)
Dividend paid (Note 39)	–	–	–	–	(7,302)	(7,302)	(7,302)
Total	1,812	(4,690)	20,443	(7,060)	(7,302)	3,203	3,203
Balance as at December 31, 2019	**57,251**	**(4,690)**	**309,061**	**1,346**	**(219,062)**	**143,906**	**143,906**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Financial year ended December 31, 2019

	GROUP	
	2019	2018
	RMB'000	RMB'000
Operating activities		
Profit before income tax	**240,052**	394,702
Adjustments for:		
Depreciation expense of plant and equipment	**87,959**	63,366
Depreciation expense of right of use asset	**2,535**	–
Amortisation of intangible assets	**47,576**	37,574
Interest expense	**224,185**	146,776
Amortisation of land use rights	**6,967**	5,479
Exchange differences arising on foreign currency translation	**525**	(512)
Share of (profit) loss of associate	**(1,196)**	1,033
Loss (gain) on disposal of property, plant and equipment	**474**	(381)
Write off of intangible assets	**2,160**	–
Impairment allowance (Reversal of) on inventories, net of allowance	**1,459**	(3,815)
Interest income	**(3,799)**	(6,145)
Impairment loss on trade and other receivables subject to ECL, net	**44,458**	15,187
Amortisation of commitment fee	**2,520**	560
Exchange gain on warrants	**251**	(606)
Exchange loss on convertible bonds	**8,907**	18,416
Fair value loss (gain) on convertible bonds	**91,288**	(165,390)
Fair value gain on warrants	**(3,080)**	(4,900)
Operating cash flows before movements in working capital	**753,241**	501,344
Trade receivables and contract assets	**(190,344)**	19,253
Other receivables and prepayments	**56,926**	(27,389)
Financial assets at fair value through other comprehensive income	**(94,827)**	(108,996)
Inventories	**(39,881)**	(138,963)
Trade payables and contract liabilities	**111,969**	(59,858)
Other payables	**12,158**	32,546
Cash generated from operations	**584,926**	325,983
Income tax paid	**(83,421)**	(45,691)
Interest received	**3,799**	6,145
Interest paid	**(68,746)**	57,188
Net cash from operating activities	**436,558**	229,249
Investing activities		
Purchase of property, plant and equipment	**(104,871)**	(71,709)
Prepayment for build-operate-transfer ("BOT") projects	**(32,972)**	–
Acquisition of intangible assets (Note A)	**(518,821)**	(228,419)
Acquisition of subsidiaries (Note 40)	**(570,145)**	(433,470)
Payment for land use rights acquired	**(4,631)**	(33,717)
Acquisition of non-controlling interest	**(12,622)**	–
Proceeds from disposal of property, plant and equipment	**207**	604
Net cash used in investing activities	**(1,243,855)**	(766,711)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Financial year ended December 31, 2019

	GROUP	
	2019	2018
	RMB'000	RMB'000
Financing activities		
Contribution from non-controlling interest holders	**–**	63,700
Proceeds from new borrowings	**1,577,204**	837,798
Proceeds from convertible bonds	**–**	123,416
Pledged bank deposits	**5,334**	(23,905)
Payment of dividend	**(7,302)**	(4,239)
Payment of dividend to non-controlling interest from a subsidiary	**(4,500)**	(3,600)
Repayment of borrowings	**(699,723)**	(667,281)
Repayments of lease liabilities	**(5,959)**	–
Proceeds from exercise of share options	**12,268**	16,155
Share buyback	**(4,690)**	–
Interest paid	**(60,200)**	(22,000)
Net cash from financing activities	**812,432**	320,044
Net increase (decrease) in cash and cash equivalents	**5,135**	(217,418)
Cash and cash equivalents at beginning of year	**685,306**	902,608
Effects of foreign exchange rate changes	**40**	116
Cash and cash equivalents at end of year (Note 6)	**690,481**	685,306

Note A	**2019**	2018
	RMB'000	RMB'000
Acquisition unpaid as at beginning of the year	**247,270**	58,781
Additions during the year (Note 18)	**274,757**	416,908
Less: Cash outflows during the year	**(518,821)**	(228,419)
Acquisition unpaid as at end of the year	**3,206**	247,270

The cash outflows of RMB518,821,000 (2018 : RMB228,419,000) during the year includes payments for intangible assets acquired in previous financial year.

1 General

The Company (Registration Number 35230) is incorporated in Bermuda, under the Companies Act 1981 of Bermuda, with its registered office at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and principal place of business at No. 2111 Chengxin Road, Nanjing Jiangning Science Park, Nanjing, China 211112. The Company is listed on the Singapore Exchange Securities Trading Limited.

The financial statements are expressed in Chinese Renminbi ("RMB").

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and associate are detailed in Notes 16 and 17 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2019 were authorised for issue by the Board of Directors on May 21, 2020.

2 Summary of Significant Accounting Policies

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed below, and are drawn up in accordance with the provisions of Singapore Financial Reporting Standards (International) ("SFRS(I)s").

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

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

2 Summary of Significant Accounting Policies (Cont'd)

ADOPTION OF NEW AND REVISED FINANCIAL STANDARDS – On January 1, 2019, the Group and the Company adopted all the new and revised SFRS(I)s pronouncements that are relevant to its operations. The adoption of these new/ revised SFRS(I)s pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below.

SFRS(I) 16 Leases

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with exemption for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is January 1, 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and

- Does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

<u>Impact of the new definition of a lease</u>

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on risks and rewards in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after January 1,2019 (whether it is a lessor or a lessee in the lease contract).

<u>Impact on lessee accounting</u>

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

Applying SFRS(I) 16, for all leases, the Group:

a) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of future lease payments;

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) Separates the total amount of cash paid into a principal portion and interest (both presented within financing activities) in the consolidated statement of cash flows.

2 Summary of Significant Accounting Policies (Cont'd)

Former operating leases (Cont'd)

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other "administrative expenses" in the consolidated statement of profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17:

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from January 1, 2019.

Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

2 Summary of Significant Accounting Policies (Cont'd)

Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on January 1, 2019 is 5.2% per annum.

The Group determines its incremental borrowing rate based on quotes from reputable banks in accordance to the type of asset and tenure.

The following table shows the operating lease commitments disclosed applying FRS 17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	GROUP 2019 RMB'000
Operating lease commitments at December 31, 2018	19,790
Less: Effect of discounting the above amounts	(3,252)
Lease liabilities recognised as at January 1, 2019	16,538

The above excludes the land use rights which also falls under the scope of SFRS(I) 16.

The Group has assessed that there is no significant tax impact arising from the application of SFRS(I) 16.

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

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

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

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

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

2 Summary of Significant Accounting Policies (Cont'd)

Financial impact of initial application of SFRS(I) 16 (Cont'd)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

In the Company's financial statements, investment in subsidiaries is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2 Summary of Significant Accounting Policies (Cont'd)

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. (Cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities. In instances where the latter amount exceeds the former, the excess is recognised as "Gain from bargain purchase" in profit or loss on the acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

2 Summary of Significant Accounting Policies (Cont'd)

Changes in the Group's ownership interests in existing subsidiaries (Cont'd)

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. (Cont'd)

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 Summary of Significant Accounting Policies (Cont'd)

Financial assets (Cont'd)

Classification of financial assets (Cont'd)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

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

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

2 Summary of Significant Accounting Policies (Cont'd)

Financial assets (Cont'd)

Amortised cost and effective interest method (Cont'd)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other operating income" line item.

Debt instruments classified as at FVTOCI

Notes receivables held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in Note 4(d). The notes receivables are initially measured at fair value. Subsequently, changes in the carrying amount of these receivable notes as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these notes receivables had been measured at amortised cost. All other changes in the carrying amount of these notes receivables are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these notes receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of SFRS(I) 9 Financial Instruments (see Note 14).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2 Summary of Significant Accounting Policies (Cont'd)

Financial assets (Cont'd)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "administrative expenses" line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the "administrative expenses" line item;
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade receivables and contract assets, and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely manufacturing and sale of heat exchangers and pressure vessels, pipeline energy saving products, supply of steam, heat and electricity, and provision of design, consultancy and technology services.

2 Summary of Significant Accounting Policies (Cont'd)

Financial assets (Cont'd)

Significant increase in credit risk (Cont'd)

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

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

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

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

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when there is evidence that a financial asset is credit impaired unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2 Summary of Significant Accounting Policies (Cont'd)

Financial assets (Cont'd)

Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower; or

b) a breach of contract, such as a default or past due event; or

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

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

2 Summary of Significant Accounting Policies (Cont'd)

Financial assets (Cont'd)

Measurement and recognition of expected credit losses (Cont'd)

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

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for other receivables; and
- External credit ratings where available.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2 Summary of Significant Accounting Policies (Cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Convertible bonds

The Group's convertible bonds consist of a debt host liability component and a derivative liability component. The component parts are classified as financial liabilities in accordance with the substance of the contractual arrangement.

At the date of issue, the fair value of the derivative liability component is estimated using the Binomial model. This amount is recorded as a liability at fair value, and is subsequently remeasured at the end of each financial period with changes in fair value recognised in profit or loss.

At the date of issue, the fair value of the debt host liability component is determined by deducting the amount of the derivative liability component from the fair value of the convertible bonds as a whole. This is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date.

Transaction costs that relate to the issue of the convertible bonds are offset against the nominal value of convertible bonds issued.

Warrants

Warrants are classified as derivative liabilities. At the date of issue, the fair value of derivative liabilities are estimated using the Binomial model. The amount is recorded as a liability at fair value, and is subsequently remeasured at the end of each financial period with changes in fair value recognised in profit or loss.

Financial liabilities

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

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

2 Summary of Significant Accounting Policies (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is i) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, ii) held for trading, or iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "fair value changes on convertible bonds" and "fair value changes on warrants" line item (Note 24 and Note 25).

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Fair value is determined in the manner described in Note 4(d).

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

2 Summary of Significant Accounting Policies (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Financial liabilities subsequently measured at amortised cost (Cont'd)

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other income" and "administrative expenses" line item respectively in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial positon when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankrupt.

LEASES (before January 1, 2019) - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Summary of Significant Accounting Policies (Cont'd)

LEASES (after January 1, 2019)

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct cost. They are subsequently measured at cost less accumulated depreciation and impairment losses.

2 Summary of Significant Accounting Policies (Cont'd)

LEASES (after January 1, 2019) (Cont'd)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2 - Impairment of Tangible and Intangible Assets.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Raw materials are stated at cost calculated using the weighted average method. Work-in-progress is stated at cost plus recognised profits or losses less progress billings made. Cost includes materials, direct labour and sub-contract costs. Net realisable value represents the estimated selling price less all estimated costs of comple tion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment losses.

Properties in the course of construction for production, supply or administration purpose, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	-	5%
Leasehold improvements	-	20%
Plant and machinery	-	10%
Furniture, fixtures and equipment	-	20%
Motor vehicles	-	20%

No depreciation is provided on construction-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired net of liabilities assumed.

2 Summary of Significant Accounting Policies (Cont'd)

LEASES (after January 1, 2019) (Cont'd)

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Intangible assets arising from service concession arrangements are described in the following section "SERVICE CONCESSION ARRANGEMENTS".

SERVICE CONCESSION ARRANGEMENTS - Service concession under build-operate-transfer ("BOT") arrangements involve the Group constructing infrastructure in exchange for the right to operate the infrastructure and to charge for utilities generated at the infrastructure for finite periods in the future, based on consumption of utilities by end-users in future. The Group has entered into BOT arrangements in respect of construction and operation of centralised steam and electricity facilities with the local government authorities. Under the terms of the arrangement, upon expiry of the respective BOT arrangements, the infrastructure is transferrable to the local government if requested by the local government.

The Group recognises an intangible asset at fair value upon initial recognition when it has a right to charge for usage in relation to a concession infrastructure. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortisation and any impairment loss. Amortisation is provided on straight-line basis over the respective periods of the operating phase of the concession periods of the Group which is up to 38.5 years.

These service concession arrangements are accounted for under the principles of SFRS(I) INT 12 *Service Concession Arrangements*.

Contractual obligations to restore the infrastructure to a specified level serviceability under service concession arrangements

Contractual obligations to maintain the infrastructure to a specified level of serviceability and/or restore the infrastructure to a specified condition before they are handed over to the grantor of the concession at the end of the service concession arrangement are recognised and measure in accordance with the policy set out for "Provisions" below.

2 Summary of Significant Accounting Policies (Cont'd)

INTANGIBLE ASSETS (Cont'd)

Repair and maintenance and other expenses that are routine in nature and expensed and recognised in profit or loss as incurred.

TECHNICAL KNOW-HOW AND TRADEMARK - The technical know-how and trademark are measured initially at purchase cost and are amortised on a straight-line basis over its estimated useful life of 5 years and 10 years respectively.

LAND USE RIGHTS - Leasehold land premiums are up-front payments to acquire long term interest in lessee-occupied properties. The premiums are stated at cost and are amortised over the period of the lease of between 30 to 50 years on a straight-line basis to profit or loss. Land use rights are considered as right-of-use assets in accordance with SFRS(I) 16 *Leases.*

LICENSES

Indefinite useful lives

The useful lives of the licenses are estimated to be indefinite based on the current practices in the local construction and power industries where licenses may be renewed indefinitely at little cost, management believes there is no foreseeable limit to the period over which the licenses are expected to generate net cash inflows for the Group.

Definite useful lives

Licenses that have finite useful lives are measured at cost and are amortised over the period of 36 years on a straight line basis to profit or loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

2 Summary of Significant Accounting Policies (Cont'd)

ASSOCIATE (Cont'd)

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where 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 asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

2 Summary of Significant Accounting Policies (Cont'd)

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the profit or loss in the period in which they become receivable.

SHARE-BASED PAYMENTS - The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 31. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

REVENUE RECOGNITION - The Group recognises revenue from the following major sources:

- Sale of goods.
- Construction contracts.
- Revenue from service concession arrangements.
- Provision of utilities.
- Provision of other services.

Revenue is measured at based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue at a point in time or over time depending on when it transfers control of a product or service to a customer.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. Any unconditional rights to consideration (i.e. amount that related to completed performance obligations for which payment is due under the contract) should be presented separately as a receivable.

2 Summary of Significant Accounting Policies (Cont'd)

Sale of goods

The Group manufactures and sells heat pipes, heat pipe exchangers, pressure vessels, reactors, and GGH-Gas gas heater.

Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. A receivable is recognised by the Group upon delivery as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment.

Construction contracts

The Group sells customised energy saving products with proprietary heat transfer technologies which requires longer duration to be fully constructed.

Revenue is recognised over time using the input method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

Construction contracts - EPC

The Group provides Engineering, Procurement, and Construction Integrated Solutions ("EPC") for flare and flare gas recovery system, desulphurisation and denitrification system, zero liquid discharge (ZLD) system, petrochemical engineering and energy saving system.

Revenue from EPC is recognised as a performance obligation satisfied over time using the output method, i.e. on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Management has assessed that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

Revenue from service concession arrangements

The development of greenfield Green Investments ("GI") projects is managed in-house by the Group's own EPC division and operated under a Build-Operate-Transfer ("BOT") model. The Group has been granted exclusive concessions of between 30 to 38.5 years on each project, thus allowing it to be the only centralised supplier of steam, heat and electricity in certain areas.

Revenue from service concession arrangements under the construction phase is recognised over time using the output method. Management considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

Provision of utilities

The Group provides heat, steam and electricity to industrial customers, which are from diverse industries such as chemicals, textiles, textile printing and dyeing, food, paper-making, paints, pharmaceuticals, leather, wood processing, plastic recycling, fodder, chemical fertilisers and rubber.

The amount of revenue recognised is based on the consumption of utilities derived from the meter readings and when control of the utilities has transferred to its customer, being when the utilities is delivered to the customer's specific location (delivery). A receivable is recognised by the Group upon delivery as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment.

2 Summary of Significant Accounting Policies (Cont'd)

Provision of other services

The Group provides design, consultancy and technology services to the thermal power, construction materials, architecture, municipal engineering and other industries.

Such services is recognised over time using the output method. Management considers that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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

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

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

2 Summary of Significant Accounting Policies (Cont'd)

INCOME TAX (Cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Chinese Renminbi ("RMB"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's non-PRC foreign operations (including comparatives) are expressed in RMB using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash at bank and fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management is 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 associated 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.

3.1 Critical judgements in applying the Group's accounting policies

There are no critical judgements in applying the Group's accounting policies, apart from those involving estimations.

3.2 Key sources of estimation uncertainty

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 material adjustments to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Service concession arrangements

Under SFRS(I) INT 12 *Service Concession Arrangements*, revenue and cost are recognised during the construction phase based on the output method; and during the subsequent operating of facilities and supplying of steam and electricity. Intangible assets arise from cost incurred during the construction phase which are projected to be recoverable during the operating period. Significant estimates and judgement include the following:

- Projection of total revenue which can be billed to end users during the operating period.
- Estimation of construction cost and projection of cost during the operating period.
- Evaluation of estimated profit margins for each of the construction and operating phases.
- Allocation of revenue between the construction and service elements of the project.
- Recoverable amount of intangible assets which represent cost recoverable from future operations.

Management has evaluated all aspects of the above estimates and consider that the estimates of intangible assets and the recognition of revenue and cost from the construction phase to be best estimates; and that the intangible assets will be recoverable. The revenue from service concession arrangements are disclosed in Note 33 of the financial statements.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

3.2 Key sources of estimation uncertainty (Cont'd)

(b) Calculation of loss allowance

When measuring expected credit loss (ECL), the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical date, assumptions and expectations of future conditions.

Based on the most current assessment, management is of the view that the loss allowances made for trade receivables and contract assets, and other receivables are adequate and the carrying amount of the trade receivables and contract assets, and other receivables as disclosed in Notes 8 and 9 of the financial statements are recoverable.

(c) Recoverable amounts of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

Slow moving or aged inventories are identified by management. This is followed by an assessment of sales or usage prospects and a comparison of estimated net realisable values with carrying cost. Allowance is made for cost of inventories which are not expected to be recovered through usage or sales. Physical counts of inventories are carried out on a periodic basis and any identified defective inventory are written off.

Based on the most current assessment, management is of the view that the allowances made for inventories are adequate and the carrying amount of the inventories as disclosed in Note 10 to the financial statements is recoverable.

(d) Revenue and costs of construction for long term contracts

Revenue and costs associated with a project are recognised as revenue and expenses respectively by reference to the progress towards complete satisfaction at the end of the reporting period except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When it is probable that the total project costs will exceed the total project revenue, the expected loss is recognised as an expense immediately. These computations are based on the presumption that the outcome of a project can be estimated reliably.

Total cost to completion are subject to judgement and estimation by management. Management performed cost studies, taking into account the costs to date and estimated cost to complete each project. Management also reviewed the status and the physical proportion of work completed for projects. Based on these procedures, management is satisfied that estimates of cost to complete projects are realistic, and the estimates of total project costs compared with expected revenues indicate full project recovery.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

3.2 Key sources of estimation uncertainty (Cont'd)

(e) Fair value measurement of derivative liabilities

The Group's convertible bonds comprise a derivative liability component that is measured at fair value for financial reporting purposes. Management engages a third party qualified valuer to perform the valuation and works closely with the valuer to determine the appropriate valuation techniques and inputs for the valuation. In estimating the fair value of the derivative liability component, market-observable data is used to the extent it is available. Where Level 1 inputs are not available, management establishes inputs that are appropriate to the circumstances. As at December 31, 2019, the fair value of derivative liability component of the convertible bonds amounted to RMB299,456,000 (2018 : RMB208,168,000) as disclosed in Note 24 to the financial statements.

(f) Purchase price allocation

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities (including contingent liabilities) is recorded as goodwill.

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

The determination of the identifiable assets and liabilities (including contingent liabilities) fair value is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows.

The fair value of the identifiable assets and liabilities at the acquisition date is disclosed in Note 40 to the financial statements.

4 Financial Instruments, Financial Risks and Capital Management

(a) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Management ensures that all externally imposed financial covenants are complied with. As at the end of the reporting period, the Group is in compliance with all financial covenants for external borrowings.

The capital structure of the Group consists of equity, bank borrowings and convertible bonds. Management reviews the capital structure on an on-going basis. As a part of this review, management considers the cost of capital, the tenure and the risks associated with each class of capital.

The Group's overall strategy relating to capital management remains unchanged from prior year.

(b) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at amortised cost	**2,044,652**	1,564,092	**173,561**	321,467
Financial assets at FVTOCI:				
Debt instruments classified as at FVTOCI	**191,532**	97,278	**-**	-
Equity instruments designated as at FVTOCI	**12,291**	11,718	**-**	-
Total	**2,248,475**	1,673,088	**173,561**	321,467
Financial liabilities				
Financial liabilities at amortised cost	**4,357,476**	3,872,989	**733,492**	673,035
Fair value through profit or loss (FVTPL)	**305,373**	217,165	**305,373**	217,165
Total	**4,662,849**	4,090,154	**1,038,865**	890,200

4 Financial Instruments, Financial Risks and Capital Management (Cont'd)

(c) Financial risk management policies and objectives

Management of the Group monitors and manages the financial risks relating to the operations of the Group to minimise the potential adverse effects of such risks on financial performance. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. There has been no change to the Group's exposure to these risks and the manner in which it manages and measures the risk.

(i) Foreign exchange risk management

The carrying amounts of monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies at the reporting date are as follows:

	2019				2018			
	US$ RMB'000	S$ RMB'000	Euro RMB'000	CAD RMB'000	US$ RMB'000	S$ RMB'000	Euro RMB'000	CAD RMB'000
GROUP								
Cash and bank balances	39,447	1,222	3,554	591	119,473	1,468	12,034	569
Trade receivables contract assets and other receivables	30,834	–	5,357	2	47,863	19	7,194	22
Trade and other payables	(23,283)	(3,118)	(241)	(125)	(98,996)	(4,452)	(261)	(118)
Borrowings	(41,857)	–	–	–	(82,358)	–	–	–
Convertible bonds	(921,307)	–	–	–	(729,442)	–	–	–
Warrants	(5,917)	–	–	–	(8,997)	–	–	–
Total	(922,083)	(1,896)	8,670	468	(752,457)	(2,965)	18,967	473
COMPANY								
Cash and bank balances	12,849	438	–	–	8,965	1,402	–	–
Other payables	(18,947)	(1,580)	–	–	(17,548)	(4,398)	–	–
Borrowings	(41,857)	–	–	–	(82,358)	–	–	–
Convertible bonds	(921,307)	–	–	–	(729,442)	–	–	–
Warrants	(5,917)	–	–	–	(8,997)	–	–	–
Total	(975,179)	(1,142)	–	–	(829,380)	(2,996)	–	–

4 Financial Instruments, Financial Risks and Capital Management (Cont'd)

(c) Financial risk management policies and objectives (Cont'd)

(i) Foreign exchange risk management (Cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 5% change in exchange rate relative to RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at December 31 and adjusts their translation at the period end for a 5% change in foreign currency rates.

A strengthening of the following foreign currencies by 5% relative to the RMB will increase (decrease) profits by the following amounts:

	US$ impact		**S$ impact**		**Euro impact**		**CAD impact**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
GROUP	**(46,104)**	(37,623)	**(95)**	(148)	**434**	948	**23**	24
COMPANY	**(48,759)**	(41,469)	**(57)**	(150)	**–**	–	**–**	–

Conversely, a weakening of RMB by 5% relative to the above foreign currencies would have the opposite effect on profits.

(ii) Interest rate risk management

Interest rate risk is managed by maintaining a mix of fixed and floating rate borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors exposures to variability in interest rates and will consider restructuring the Group's credit facilities should the need arise.

The Group's exposures to variability in interest rates are detailed in the liquidity risk management section set out below.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For variable-rate bank balances, bank borrowings and the Company's loan to a subsidiary, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points increase or decrease is used as it represents management's assessment of the possible change in interest rates.

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's profit would increase/decrease by RMB6,274,840 (2018 : increase/decrease by RMB4,724,000) respectively.

(iii) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at December 31, 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

4 Financial Instruments, Financial Risks and Capital Management (Cont'd)

(c) Financial risk management policies and objectives (Cont'd)

(iii) Overview of the Group's exposure to credit risk (Cont'd)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL.
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired.
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired.
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery.	Amount is written off.

The table below details the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL/ Incurred loss basis	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Group						
2019						
Trade receivables and contract assets	8	(i)	Lifetime ECL (simplified approach)	**1,441,373**	**(89,130)**	**1,352,243**
Other receivables	9	(ii)	Lifetime ECL (simplified approach)	**5,755**	**(2,957)**	**2,798**
Notes receivables, at FVTOCI	14	Performing	12-month ECL	**191,532**	**–**	**191,532**
					(92,087)	
2018						
Trade receivables and contract assets	8	(i)	Lifetime ECL (simplified approach)	1,237,708	(46,168)	1,191,540
Other receivables	9	(ii)	Lifetime ECL (simplified approach)	12,369	(2,630)	9,739
Notes receivables, at FVTOCI	14	Performing	12-month ECL	97,278	–	97,278
					(48,798)	

4 Financial Instruments, Financial Risks and Capital Management (Cont'd)

(c) Financial risk management policies and objectives (Cont'd)

(iii) Overview of the Group's exposure to credit risk (Cont'd)

	Note	Internal credit rating	12-month or lifetime ECL/ Incurred loss basis	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Company						
2019						
Other receivables	9	Performing	12-month ECL	**159,651**	**-**	**159,651**
2018						
Other receivables	9	Performing	12-month ECL	225,944	-	225,944

(i) For trade receivables and contract assets, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated from historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 8 includes further details on the loss allowance for these assets.

(ii) For other receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 9 includes further details on the loss allowance for these assets.

(iv) Credit risk management

Upfront deposits are obtained where appropriate and progressive billings made for longer term contracts to mitigate the risk of financial loss from defaults. Credit exposure is controlled by credit limits that are reviewed and approved by management. Information on counterparties supplied by independent rating agencies where available, other publicly available financial information and the Group's own historical transactions with these counterparties are used to make decisions relating to credit granted to customers or advances made to suppliers. The Group's exposure to credit risk, concentration risk and the credit terms granted to counterparties are monitored continuously.

4 Financial Instruments, Financial Risks and Capital Management (Cont'd)

(c) Financial risk management policies and objectives (Cont'd)

(iv) Credit risk management (Cont'd)

The Group's credit risk primarily relates to the Group's trade and other receivables, trade prepayments and bank balances. Trade receivables and contract assets account for 18% (2018 : 18%) of total assets. For contract related work and contract assets, collection of debts including retention sums can involve extended period of time. Management closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period. Such review takes into consideration the due date, the period the payment is overdue, the results of communications with debtors, adherence to installment payment plans or otherwise and current commercial information of debtors where available. Following the identification of slow payments, the responsible sales personnel discuss with the relevant customers and report on results of recovery actions and recovery prospects. Management is of the view that adequate allowance for doubtful debts has been made for irrecoverable amounts.

The five (2018 : five) largest customers accounted for approximately 20.5% (2018 : 18.1%) of the Group's total trade receivables and contract assets as at December 31, 2019.

Other receivables account for 5% (2018 : 6%) of total assets. To minimise risk, trade prepayments are generally made to suppliers with good credit ratings and with good trading history with the Group. At December 31, 2019 and December 31, 2018, there was no concentration of credit risk with any particular supplier.

Bank balances are placed with reputable banking institutions in the People Repulic of China ("PRC") and Singapore.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statement of financial position.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 to the financial statements respectively.

(v) Liquidity risk management

The Group maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows relative to expectations. Management monitors cash flows, utilisation of bank borrowings and compliance with financial covenants relating to credit facilities.

The Group has embarked on more service concession arrangements which involve substantial commitment of funds during the construction of infrastructure with cash inflows only after completion of infrastructure and delivering of utilities to end users.

Management reviewed the projected timing and amounts of cash inflows and outflows from the service concession arrangements and is of the view that the funding arrangements made are adequate for its needs and the Group will be able to discharge its obligations as and when they fall due.

4 Financial Instruments, Financial Risks and Capital Management (Cont'd)

(v) Liquidity risk management (Cont'd)

Liquidity and interest risk analyses

Financial assets

The following table shows the cash flows (principal and interest where applicable) based on the contractual or expected maturity of financial assets. The adjustment column represents future interest which are not included in the carrying amounts of the financial asset in the statement of financial position.

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	More than 1 to 5 years RMB'000	Adjustment RMB'000	Carrying amount RMB'000
GROUP					
2019					
Non-interest bearing	**–**	**1,472,486**	**–**	**–**	**1,472,486**
Variable interest rate	**0.30**	**670,949**	**–**	**(2,007)**	**668,942**
Fixed interest rate	**3.19**	**110,463**	**–**	**(3,416)**	**107,047**
Total		**2,253,898**	**–**	**(5,423)**	**2,248,475**
2018					
Non-interest bearing	–	1,005,969	–	–	1,005,969
Variable interest rate	0.30	556,402	–	(1,664)	554,738
Fixed interest rate	3.10	115,866	–	(3,485)	112,381
Total		1,678,237	–	(5,149)	1,673,088

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	More than 1 to 5 years RMB'000	Adjustment RMB'000	Carrying amount RMB'000
COMPANY					
2019					
Non-interest bearing	**–**	**163,561**	**–**	**–**	**163,561**
Variable interest rate	**5.20**	**10,520**	**–**	**(520)**	**10,000**
Total		**174,081**	**–**	**(520)**	**173,561**
2018					
Non-interest bearing	–	169,538	–	–	169,538
Fixed interest rate	5.95	19,031	175,992	(43,094)	151,929
Total		188,569	175,992	(43,094)	321,467

4 Financial Instruments, Financial Risks and Capital Management (Cont'd)

Financial liabilities

The following table shows the cash flows of financial liabilities based on the earliest dates on which the Group and Company are required to pay. The table includes both interest and principal cash flows. The adjustment column represents future interest which are not included in the carrying amounts of financial liabilities carried in the statement of financial position.

	Weighted average effective interest rate	On demand or less than 1 year	More than 1 to 5 years	More than 5 years	Adjustment	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GROUP						
2019						
Non-interest bearing	**–**	**1,747,943**	**–**	**–**	**–**	**1,747,943**
Variable interest rate	**4.99**	**2,088**	**46,035**	**–**	**(6,266)**	**41,857**
Fixed interest rate	**5.27**	**1,075,220**	**1,468,714**	**–**	**1,005,098**	**2,873,049**
Total		**2,823,251**	**1,514,749**	**–**	**1,011,364**	**4,662,849**
2018						
Non-interest bearing	–	286,568	–	–	–	286,568
Variable interest rate	4.38	3,607	89,573	–	(10,822)	82,358
Fixed interest rate	20.30	105,841	732,955	–	(317,522)	521,274
Total		396,016	822,528	–	(328,344)	890,200

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	More than 1 to 5 years RMB'000	More than 5 years RMB'000	Adjustment RMB'000	Carrying amount RMB'000
COMPANY						
2019						
Non-interest bearing	**–**	**375,157**	**–**	**–**	**–**	**375,157**
Variable interest rate	**4.99**	**2,088**	**46,035**	**–**	**(6,266)**	**41,857**
Fixed interest rate	**20.31**	**126,312**	**874,474**	**–**	**(378,935)**	**621,851**
		503,557	**920,509**	**–**	**(385,201)**	**1,038,865**
2018						
Non-interest bearing	–	286,568	–	–	–	286,568
Variable interest rate	4.38	3,607	89,573	–	(10,822)	82,358
Fixed interest rate	20.30	105,841	732,955	–	(317,522)	521,274
		396,016	822,528	–	(328,344)	890,200

4 Financial Instruments, Financial Risks and Capital Management (Cont'd)

(d) Fair value of financial assets and financial liabilities

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial 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 financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at		**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
	2019	2018				
	RMB'000	RMB'000				
Financial assets at fair value through other omprehensive income - unquoted equity shares	**12,291**	11,718	Level 3	Discounted cash flow	Discount rate taking into account the time value of money, inflation and the risk inherent in ownership of the asset or security interest being valued.	The higher the discount rate, the lower the fair value.
Financial assets at fair value through other omprehensive income - unquoted equity shares	**191,532**	97,278	Level 3	Discounted cash flow method was use to capture the present value of the financial assets	Discount rate taking into account the time value of money.	The higher the discount rate, the lower the fair value.

4 Financial Instruments, Financial Risks and Capital Management (Cont'd)

(d) Fair value of financial assets and financial liabilities (Cont'd)

	Fair value as at December 31, 2019 RMB'000	Fair value hierarchy December 31, 2018 RMB'000	Valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value	
Financial liabilities at fair value through profit or loss - convertible bonds - derivative liability component (Note 24)	**299,456**	208,168	Level 2	Option model, taking into consideration the various scenarios resulting in a probability-weighted average value	N/A	N/A
Financial liabilities at fair value through profit or loss - warrants (Note 25)	**5,917**	8,997	Level 2	Option model, taking into consideration the various scenarios resulting in a probability-weighted average value	N/A	N/A

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Management considers that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the financial statements approximate their fair values as these are either of relatively short-term maturity or which effective interest rates instruments are close approximation of market interest rates at period end.

(e) Fair value of guarantees given by the Company

Management considered the nature of the guarantees given by the Company to banks which have provided loans to a subsidiary (Note 23(b) & (c)) and the reliance on assets of other subsidiaries as support for the financial guarantee and determined that there is no significant fair value of the guarantee to be accounted for by the Company.

5 Related Party Transactions

Some of the Group's transactions and arrangements are with related parties and the effects of these, on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, receivable or repayable on demand and interest-free unless stated otherwise.

Related parties comprise entities over which two of the Company's directors have significant influence or control; and non-controlling shareholders of partially held subsidiaries (Note 16).

Significant related party transactions:

	GROUP	
	2019	2018
	RMB'000	RMB'000
Sale of goods	**–**	1,761
Technology development fees	**1,218**	1,897
Staff costs and benefits	**813**	798
Rental expense	**4,350**	3,472
Process fee	**3**	3,845
Purchase of raw materials	**98**	659
Purchase of building materials	**8,069**	–
Purchase of reactors and filters	**599**	–

The sales and purchases made are conducted on terms mutually agreed among the parties involved. The expenses charged are paid in accordance with the terms of the agreement entered into among the parties involved.

The nature and terms of transactions with related parties are reviewed by the Board of Directors.

6 Cash and Cash Equivalents

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**690,481**	685,306	**13,343**	81,580

Cash and bank balances comprise cash held by the Group and the Company and short-term bank deposits with maturity of three months or less. The average interest rate is 0.30% (2018 : 0.30%) per annum.

7 Pledged Bank Deposits

	GROUP	
	2019	2018
	RMB'000	RMB'000
Pledged bank deposits	**107,047**	112,381

The above deposits are pledged to banks to secure the Group's bank loans. The deposits earn fixed interest rate ranging from 0.30% to 3.30% (2018 : 0.30% to 3.30%) per annum.

8 Trade Receivables and Contract Assets

	GROUP	
	2019	2018
	RMB'000	RMB'000
Outside parties	**994,413**	788,891
Contract assets (Note 11)	**446,960**	448,817
Loss allowance	**(89,130)**	(46,168)
Total	**1,352,243**	1,191,540

The average credit period for trade receivables is 180 days (2018 : 180 days). These receivables are not secured by any collateral or credit enhancements. No interest is charged on the overdue trade receivables.

Loss allowance for trade receivables and contract assets has always been measured at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

8 Trade Receivables and Contract Assets (Cont'd)

The following table details the risk profile of trade receivables and contract assets based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on aging profile from invoice dates is not further distinguished between the Group's different customer base.

				GROUP			
2019	**< 6 months RMB'000**	**7 - 12 months RMB'000**	**1 - 2 years RMB'000**	**2 - 3 years RMB'000**	**3 - 4 years RMB'000**	**> 4 years RMB'000**	**Total RMB'000**
Expected credit loss rate	**0%**	**0% - 5%**	**0% - 12.50%**	**1.50% - 50%**	**12.50% - 75%**	**50% - 100%**	
Estimated total gross carrying amount at default	**967,184**	**184,446**	**188,105**	**44,757**	**22,595**	**34,286**	**1,441,373**
Lifetime ECL	**(1,921)**	**(1,102)**	**(40,117)**	**(4,307)**	**(10,516)**	**(31,167)**	**(89,130)**
							1,352,243
2018							
Expected credit loss rate	0%	0% - 5%	0% - 12.50%	1.50% - 50%	12.50% - 75%	50% - 100%	
Estimated total gross carrying amount at default	978,616	89,084	73,146	43,190	28,532	25,140	1,237,708
Lifetime ECL	–	(3,000)	(1,594)	(9,284)	(12,271)	(20,019)	(46,168)
							1,191,540

8 Trade Receivables and Contract Assets (Cont'd)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets in accordance with the simplified approach set out in SFRS(I) 9:

Group	Lifetime ECL credit-impaired Individually assessed RMB'000	Lifetime ECL credit-impaired Collectively assessed RMB'000	Total RMB'000
Balance as at January 1, 2018	–	33,838	33,838
Amounts written off	–	(1,509)	(1,509)
Amounts recovered	–	(10,902)	(10,902)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	9,870	14,871	24,741
Balance as at December 31, 2018	9,870	36,298	46,168
Transfer of credit-impaired from collective to individual	4,581	(4,581)	–
Amounts recovered	(9,720)	(12,014)	(21,734)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	55,226	9,470	64,696
Balance as at December 31, 2019	**59,957**	**29,173**	**89,130**

9 Other Receivables, Deposits and Prepayments

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance payments for purchases	**146,875**	241,492	**567**	–
Deposits and prepayments	**95,440**	42,644	**–**	–
Amounts due from subsidiaries	**–**	–	**159,526**	225,819
Advances to:				
Staff	**3,455**	4,416	**–**	–
Input tax recoverable	**141,457**	108,971	**–**	–
Others	**2,300**	7,953	**125**	125
Total	**389,527**	405,476	**160,218**	225,944
Less:				
Loss allowance	**(2,957)**	(2,630)	**–**	–
Net	**386,570**	402,846	**160,218**	225,944
Presentation on statement of financial position:				
Current assets	**340,931**	390,179	**39,708**	27,144
Non-current assets	**45,639**	12,667	**120,510**	198,800
Total	**386,570**	402,846	**160,218**	225,944

Included in amounts due from subsidiaries are loans to subsidiaries as follows:

- Loan to a subsidiary amounting to RMB10,000,000 (2018 : RMB10,000,000) is non-trade in nature, unsecured and bears variable interest referenced to the rate quoted by the People's Bank of China; and is due on June 20, 2020 (2018 : January 20, 2019).

- Loan to a subsidiary amounting to RMB62,785,800 (2018 : RMB141,929,096) is non-trade in nature, unsecured and bears interest of 6% per annum, and is repayable over 5 yearly instalments up till April 15, 2023. In 2019, a supplementary agreement was entered with the subsidiary, whereby no interest will be charged on the remaining loan with effect from January 1, 2019.

- Loan to a subsidiary amounting to RMBNil (2018 : RMB35,482,274) is non-trade in nature, unsecured and bears interest of 6% per annum, and is repayable over 5 yearly instalments up till November 14, 2023. Full repayment has been made during the year.

Staff advances were non-trade in nature, unsecured, interest-free and repayable on demand.

9 Other Receivables, Deposits and Prepayments (Cont'd)

Loss allowance for other receivables has always been at an amount equal to lifetime expected credit losses (ECL). The ECL on other receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Management believes that there is no loss allowance required using 12-month ECL as it is not material.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The table below shows the movements in lifetime ECL that has been recognised for other receivables in accordance with the simplified approach set out in SFRS(I) 9:

Group	Lifetime ECL - credit-impaired RMB'000
Balance as at January 1, 2018	2,708
Amounts written off	(1,426)
Change in loss allowance due to new other receivables originated, net of those derecognised due to settlement	1,348
Balance as at December 31, 2018	2,630
Amounts written off	(1,169)
Change in loss allowance due to new other receivables originated, net of those derecognised due to settlement	1,496
Balance as at December 31, 2019	**2,957**

10 Inventories

	GROUP 2019 RMB'000	GROUP 2018 RMB'000
Raw materials and consumables	**153,857**	154,535
Work-in-progress	**390,508**	345,327
Finished goods	**650**	–
Total	**545,015**	499,862

Inventories are stated net of allowance.

	GROUP 2019 RMB'000	GROUP 2018 RMB'000
Movements allowance for inventories:		
At beginning of year	**18,920**	22,735
Charge to profit or loss	**1,868**	7,066
Reversal of allowance, upon sale*	**(409)**	(10,881)
At end of year	**20,379**	18,920

* Previous write-downs have been reversed as a result of inventories sold above carrying amounts.

11 Contract Assets (Liabilities)

	GROUP 2019 RMB'000	GROUP 2018 RMB'000
Contract assets (Note 8)	**446,960**	448,817
Contract liabilities (Note 21)	**586,385**	449,928

Amounts relating to construction contracts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance-related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

At December 31, 2019, the carrying amount of retention monies held by customers for contract work amounted to RMB277,549,918 (2018 : RMB240,546,000).

The ECL on contract assets is determined and disclosed in Note 8.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise when a particular milestone payment exceeds the revenue recognised to date.

12 Land Use Rights

	GROUP	
	2019	2018
	RMB'000	RMB'000
Cost:		
At beginning of the year	**313,709**	215,479
Additions	**4,631**	33,717
Arising from acquisition of a subsidiary (Note 40)	**12,350**	64,513
At end of the year	**330,690**	313,709
Accumulated amortisation:		
At beginning of the year	**22,374**	16,895
Charge to profit or loss (Note 36)	**6,967**	5,479
At end of the year	**29,341**	22,374
Carrying amount	**301,349**	291,335
Presentation in statement of financial position:		
Current assets	**7,132**	5,822
Non-current assets	**294,217**	285,513
Total	**301,349**	291,335

Land use rights relates to upfront payments made to acquire land leases in China.

At the end of the reporting period, land use rights with carrying amount of RMB181,966,000 (2018 : RMB213,921,000) are pledged to secure banking facilities granted to the subsidiaries.

The Group has adopted SFRS(I) 16 *Leases* on January 1, 2019 and land use rights are considered as right-of-use assets (Note 15) accordingly.

13 Property, Plant and Equipment

GROUP	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost:							
At January 1, 2018	306,533	31,080	267,232	30,407	26,285	20,988	682,525
Additions	2,036	9,652	21,183	3,886	1,005	33,947	71,709
Arising from acquisition of subsidiaries (Note 40)	144,540	–	228,179	4,290	3,838	6,843	387,690
Disposals	(239)	–	(9,952)	(127)	(1,983)	–	(12,301)
Transfer	52,293	–	–	–	–	(52,293)	–
At December 31, 2018	505,163	40,732	506,642	38,456	29,145	9,485	1,129,623
Additions	2,926	20,446	34,055	9,319	1,931	36,194	104,871
Arising from acquisition of subsidiaries (Note 40)	50,202	–	75,695	835	71	14	126,817
Disposals	–	–	(2,691)	(2,076)	(370)	–	(5,137)
At December 31, 2019	558,291	61,178	613,701	46,534	30,777	45,693	1,356,174
Accumulated depreciation:							
At January 1, 2018	67,538	22,449	75,024	18,763	17,184	–	200,958
Depreciation	12,575	–	44,637	3,575	2,579	–	63,366
Disposals	(217)	–	(9,907)	(34)	(1,920)	–	(12,078)
At December 31, 2018	79,896	22,449	109,754	22,304	17,843	–	252,246
Depreciation	18,161	3,974	57,557	5,902	2,365	–	87,959
Disposals	–	–	(2,228)	(1,895)	(333)	–	(4,456)
At December 31, 2019	98,057	26,423	165,083	26,311	19,875	–	335,749

13 Property, Plant and Equipment (Cont'd)

GROUP	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Impairment loss:							
At January 1, 2018 and December 31, 2018 and December 31, 2019	–	–	**7,553**	**11**	–	–	**7,564**
Carrying amount:							
At December 31, 2019	**460,234**	**34,755**	**441,065**	**20,212**	**10,902**	**45,693**	**1,012,861**
At December 31, 2018	425,267	18,283	389,335	16,141	11,302	9,485	869,813

At the end of the reporting period, buildings with carrying amount of RMB436,626,000 (2018 : RMB258,757,000) are pledged to secure banking facilities and loans granted to the Group.

14 Financial Assets At Fair Value Through Other Comprehensive Income

	GROUP	
	2019 RMB'000	2018 RMB'000
Investments in equity instruments designated as at FVTOCI:		
Unquoted equity shares	**12,291**	11,718
Investments in debt instruments classified as at FVTOCI:		
Notes receivables	**191,532**	97,278
Total financial assets at FVTOCI	**203,823**	108,996
Presentation on statement of financial position		
Current assets	**191,532**	97,278
Non-current assets	**12,291**	11,718
Total	**203,823**	108,996

14 Financial Assets At Fair Value Through Other Comprehensive Income (Cont'd)

Investments in equity instruments

These investments in equity instruments are not held for trading. Instead they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as at FVTOCI as management believes that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

No investment in equity investments measured at FVTOCI has been disposed of during the current reporting period.

Investments in debt instruments

Note receivables represent promissory notes that give the Group the right to receive cash on or before a specific future date, and such notes are received from customers as settlement of trade receivables. The notes receivables are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, the notes receivables are classified as at FVTOCI.

For purpose of impairment assessment, the notes receivables are considered to have low credit risk as they are held with financial institutions with sound credit ratings. Accordingly, management believes that there is no loss allowance required. The Group holds no collateral over these notes. For the purpose of impairment assessment for these debts instruments, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

Investments in debt instruments (Cont'd)

In determining the ECL, management has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analysts reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

15 Right-of-use Assets

The Group leases buildings. The average lease term is ranging from 2 to 5 years, where the Group make periodic lease payments, which are used for its day to day operations.

Group	Buildings Total RMB'000
Cost:	
Effect of adoption of SFRS(I) 16 at January 1, 2019	**19,101**
At December 31, 2019	**19,101**
Accumulated depreciation:	
Effect of adoption of SFRS(I) 16 at January 1, 2019	**2,563**
Depreciation for the year	**2,535**
At December 31, 2019	**5,098**
Carrying amount:	
At December 31, 2019	**14,003**

16 Subsidiaries

	COMPANY	
	2019	2018
	RMB'000	RMB'000
Unquoted equity shares, at cost	**606,285**	606,285
Financial guarantee contracts	**1,850**	1,850
Amount due from subsidiaries	**389,903**	347,423
Total	**998,038**	955,558

Amount due from subsidiaries are unsecured, interest-free and not expected to be repayable within one year. They are considered to be equity in nature.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in these financial statements.

Details of the subsidiaries are as follows:

Subsidiaries	**Cost of investments**		**Effective equity interest and voting power held**		**Place of incorporation/ operation**	**Principal activities**
	2019	2018	**2019**	2018		
	RMB'000	RMB'000	**%**	%		
Held by Company:						
Sunpower International Holding (Singapore) Pte. Ltd.	**606,285**	606,285	**100.0**	100.0	Singapore	Investment holding.
Sun Superior Holding Pte. Ltd.	*****	*	**100.0**	100.0	Singapore	Investment holding.
Held by subsidiaries:						
Changle Sunpower Clean Energy Co., Ltd (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd. and Sunpower Technology (Jiangsu) Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Investment in clean energy business related activities.
Changyi Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Investment in clean energy business related activities.
Changshu Suyuan Thermal Power Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.) (2)	**–**	–	**100.0**	100.0	PRC	Provision of heat and electricity to enterprises.

16 Subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Subsidiaries	Cost of investments 2019 RMB'000	Cost of investments 2018 RMB'000	Effective equity interest and voting power held 2019 %	Effective equity interest and voting power held 2018 %	Place of incorporation/ operation	Principal activities
Dingyuan Sunpower Clean Energy Co., Ltd (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Provision of heat and electricity to enterprises.
Gaoyang Sanli Heat Supply Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Supply of heat and electricity.
Hebei Changrun Environmental Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Central heating and power generation.
Jiangsu Fuyou Industry Co., Ltd. (Shares held by Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Manufacturing, installation and sale of heavy industrial machinery and provision of related services; new energy-saving material research; pollution emission treatment engineering design, installation and construction.
Jiangsu Hengtong Electricity Sales Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd. and Zhangjiagang Yongxing Thermal Power Co., Ltd)						Provision of electricity.

16 Subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Subsidiaries	Cost of investments 2019 RMB'000	Cost of investments 2018 RMB'000	Effective equity interest and voting power held 2019 %	Effective equity interest and voting power held 2018 %	Place of incorporation/ operation	Principal activities
Jiangsu Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.)	–	–	100.0	100.0	PRC	Investment in clean energy business related activities.
Jiangsu Sunpower Energy-Saving Technology Co., Ltd. (Shares held by Jiangsu Sunpower Machinery Manufacture Co. Ltd.)	–	–	70.0	70.0	PRC	Production and sale of foam glass products.
Jiangsu Sunpower Machinery Manufacture Co., Ltd. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd.)	–	–	100.0	100.0	PRC	Supply steam/heat gas to enterprises.
Jiangsu Sunpower Pipe-Line Engineering Technology Co. Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.)	–	–	100.0	100.0	PRC	Manufacture and sale of pressure vessels products.
Jiangsu Sunpower Pipe-Line Engineering Technology Co. Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.)	–	–	100.0	100.0	PRC	Designing, manufacturing and sale of pipe racks and hangers.
Jiangsu Sunpower Pressure Vessels Equipment Manufacturing Co. Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.)	–	–	100.0	100.0	PRC	Manufacturing and sale of pressure vessels products.

16 Subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Subsidiaries	Cost of investments 2019 RMB'000	Cost of investments 2018 RMB'000	Effective equity interest and voting power held 2019 %	Effective equity interest and voting power held 2018 %	Place of incorporation/ operation	Principal activities
Jiangsu Sunpower Technology Co., Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Manufacturing and sale of pressure vessels, designing, manufacturing and sale of pipe racks and hangers, provision of installation and commissioning of projects and provision of technical and consultation services.
Lianshui Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd. and Jiangsu Sunpower Clean Energy Co., Ltd.)	**–**	–	**95.0**	95.0	PRC	Supply of steam, heat gas and electricity.
Nanjing Shengnuo Heat Pipe Co., Ltd. (Shares held by Sun Superior Holding Pte. Ltd. and Sunpower Technology (Jiangsu) Co., Ltd.)	**–**	–	**70.0**	70.0	PRC	Manufacturing and trading of heat pipes and heat pipe exchangers, provision of installation and commissioning of relevant projects and provision of technical and consultation services.
Qingdao Xinyuan Thermal Power Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.)	**–**	–	**85.0**	85.0	PRC	Supply of steam, heat and electricity.

16 Subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Subsidiaries	Cost of investments 2019 RMB'000	2018 RMB'000	Effective equity interest and voting power held 2019 %	2018 %	Place of incorporation/ operation	Principal activities
Quanjiao Sunpower Clean Energy Co. Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co. Ltd.)	–	–	100.0	100.0	PRC	Supply steam/heat gas to enterprises.
Ruijin Sunpower Clean Energy Co., Ltd (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.)	–	–	100.0	100.0	PRC	Provision of heat and electricity to enterprises.
Shandong Yangguang Engineering Design Co., Ltd (Shares held by Jiangsu Sunpower Technology) Co., Ltd.) (4)	–	–	90.0	80.0	PRC	Provision of design, consultancy and technology services.
Shanghai Sunpower Leqian Energy Conservation & Environmental protection Co., Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.) (3)	–	–	-	51.0	PRC	Low temperature waste-heat recovery system business activities.
Shantou Sunpower Keying Thermal Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.)	–	–	51.0	51.0	PRC	Supply of steam and electricity.
Sino-Sunpower Technology Inc. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd.)	–	–	100.0	100.0	United States of America ("U.S.A")	Sales, technical support and after-sale service.
Sunpower Clean Energy Investment (Jiangsu) Co., Ltd. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd.)	–	–	100.0	100.0	United States of America ("U.S.A")	Environment and new energy related business activities.

16 Subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Subsidiaries	Cost of investments 2019 RMB'000	2018 RMB'000	Effective equity interest and voting power held 2019 %	2018 %	Place of incorporation/ operation	Principal activities
Sunpower Technology (Jiangsu) Co., Ltd. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd. and Sunpower Clean Energy Investment (Jiangsu) Co. Ltd)	**–**	–	**100.0**	100.0	PRC	Investment holding.
Tongling Sunpower Clean Energy Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Provision of heat and electricity to enterprises.
Wuhu Sunpower Clean Energy Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Provision of heat and electricity to enterprises.
Xinjiang Sunpower Clean Energy Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Supply of heat Supply of heat
Xintai Zhengda Thermoelectric Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.) (4)	**–**	–	**79.2**	71.0	PRC	Provision of steam and heat and sale of electricity.
Xuzhou Sunpower Clean Energy Co., Ltd (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) (1)	**–**	–	**85.0**	–	PRC	Provision of heat and electricity to enterprises.
Yihuang Sunpower Clean Energy Co., Ltd (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.)	**–**	–	**100.0**	100.0	PRC	Provision of heat and electricity to enterprises.

16 Subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Subsidiaries	Cost of investments 2019 RMB'000	2018 RMB'000	Effective equity interest and voting power held 2019 %	2018 %	Place of incorporation/ operation	Principal activities
Yingtan Sunpower Clean Energy Co., Ltd (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd. and Sunpower International Holding (Singapore) Pte. Ltd.)	–	–	100.0	100.0	PRC	Provision of heat and electricity to enterprises.
Yueyang Sunpower Clean Energy Co., Ltd (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) (1)	–	–	100.0	–	PRC	Provision of heat and electricity to enterprises.
Zhangjiagang Yongxing Thermal Power Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.)	–	–	100.0	100.0	PRC	Provision of steam to industrial enterprises and sale of electricity.

* *Cost of investment amounted to S$1.00 (equivalent to RMB5.07).*
(1) *Newly incorporated in 2019.*
(2) *Acquired in 2019 (Note 40).*
(3) *Strike off in 2019.*
(4) *Increase in equity interest in 2019.*

The PRC subsidiaries are audited by Deloitte Touche Tohmatsu CPA LLP, Nanjing Branch for consolidation purposes.

The companies incorporated in Singapore are audited/reviewed respectively by Deloitte & Touche LLP, Singapore for consolidation purposes.

The following schedule shows the effects of changes in the Group's ownership interest in a subsidiary that did not result in change of control:

	GROUP 2019 RMB'000	2018 RMB'000
Non-controlling interest acquired	12,622	–
Amount paid on changes in ownership interest in a subsidiary	(10,212)	–
Difference recognised in equity (Note 30)	2,410	–

16 Subsidiaries (cont'd)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of subsidiaries 2019	2018
Held by Company:			
Investment holding	Singapore	**2**	2
Held by subsidiaries:			
Manufacture and sales of pressure vessels products.	PRC	**3**	3
Investment holding.	PRC	**1**	1
Central heating and power generation.	PRC	**1**	1
Environment and new energy-related business activities.	PRC	**4**	4
Manufacturing, installation and sale of heavy machinery.	PRC	**1**	1
Sales, technical support and after sale services.	U.S.A	**1**	1
Designing, manufacturing and sale of pipe racks and hangers.	PRC	**1**	1
Manufacturing and trading of heat pipes.	PRC	**1**	1
Production and sale of foam glass products.	PRC	**1**	1
Low temperature waste-heat recovery system business activities.	PRC	**–**	1
Provision of design, consultancy and technology services.	PRC	**1**	1
Supply of steam/heat/electricity.	PRC	**18**	15
		35	33

16 Subsidiaries (cont'd)

Details of subsidiaries with material non-controlling interest

The table below shows details of non-wholly owned subsidiaries of the Group with material non-controlling interest:

Name of subsidiaries	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Nanjing Shengnuo Heat Pipe Co., Ltd	PRC	**30.0**	30.0	**2,020**	5,376	**30,294**	28,095
Shantou Sunpower Keying Thermal Power Co., Ltd	PRC	**49.0**	49.0	**–**	–	**127,400**	127,400
Qingdao Xinyuan Thermal Power Co., Ltd	PRC	**15.0**	15.0	**5,127**	4,870	**38,213**	37,586
Shandong Yangguang Engineering Design Institute Co., Ltd	PRC	**10.0**	20.0	**2,651**	4,472	**13,746**	22,312
Xintai Zhengda Thermoelectric Co.,Ltd	PRC	**20.8**	29.0	**(72)**	(2,733)	**22,950**	24,427
Changshu Suyuan Thermal Power Co., Ltd	PRC	**10.0**	–	**1,640**	–	**33,434**	–
Individually immaterial subsidiaries with non-controlling interests				**(64)**	50	**533**	**597**
				11,302	12,035	**266,570**	**240,417**

16 Subsidiaries (cont'd)

Details of subsidiaries with material non-controlling interest

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Nanjing Shengnuo Heat Pipe Co Ltd		Shantou Sunpower |Keying Thermal Power Co., Ltd		Qingdao Xinyuan Thermal Power Co., Ltd		Shandong Yangguang Engineering Design Institute Co., Ltd	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Current assets	**305,638**	316,867	**236,093**	181,127	**154,752**	92,710	**857,470**	637,610
Non-current assets	**52,145**	47,137	**473,896**	130,611	**215,055**	228,515	**81,275**	81,791
Current liabilities	**(256,810)**	(270,356)	**(106,011)**	(51,738)	**(93,114)**	(51,582)	**(801,408)**	(607,841)
Non-current liabilities	**–**	–	**(343,978)**	–	**(21,938)**	(19,071)	**–**	–
Equity attributable to owners of the Company	**70,680**	65,553	**132,600**	132,600	**216,542**	212,986	**123,691**	89,248
Non-controlling interests	**30,294**	28,095	**127,400**	127,400	**38,213**	37,586	**13,746**	22,312
Revenue	**250,834**	263,724	**–**	–	**169,713**	179,715	**373,753**	489,212
Expenses	**(244,101)**	(245,804)	**–**	–	**(135,533)**	(147,246)	**(347,243)**	(466,852)
Profit for the year, representing total comprehensive income for the year	**6,733**	17,920	**–**	–	**34,180**	32,469	**26,510**	22,360
Profit attributable to owners of the Company	**4,713**	12,544	**–**	–	**29,053**	27,599	**23,859**	17,888
Profit attributable to the non-controlling interests	**2,020**	5,376	**–**	–	**5,127**	4,870	**2,651**	4,472
Profit for the year	**6,733**	17,920	**–**	–	**34,180**	32,469	**26,510**	22,360
Total comprehensive income attributable to owners of the Company	**4,713**	12,544	**–**	–	**29,053**	27,599	**23,859**	17,888
Total comprehensive income attributable to the non-controlling interests	**2,020**	5,376	**–**	–	**5,127**	4,870	**2,651**	4,472
Total comprehensive income for the year	**6,733**	17,920	**–**	–	**34,180**	32,469	**26,510**	22,360
Dividends paid to non-controlling interests	**–**	–	**–**	–	–	3,600	–	–
Net cash (outflow) inflow from operating activities	**(12,571)**	14,374	**–**	–	**32,013**	11,122	**61,928**	554
Net cash outflow from investing activities	**(7,111)**	(815)	**(372,928)**	(170,618)	**(2,034)**	(3,242)	**(2,074)**	(294)
Net cash inflow (outflow) inflow from financing activities	**1,751**	(5,958)	**343,585**	190,000	**(7,648)**	(47,789)	–	–
Net cash inflow (outflow)	**(17,933)**	7,601	**(29,343)**	19,382	**22,331**	(39,909)	**59,854**	260

16 Subsidiaries (cont'd)

Details of subsidiaries with material non-controlling interest (cont'd)

	Xintai Zhengda Thermoelectric Co., Ltd		Changshu Suyuan Thermal Power Co., Ltd	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**189,882**	62,276	**324,796**	–
Non-current assets	**331,866**	253,386	**156,180**	–
Current liabilities	**(336,367)**	(191,373)	**(75,172)**	–
Non-current liabilities	**–**	(37,000)	**(15,872)**	–
Equity attributable to owners of the Company	**162,431**	62,862	**356,498**	–
Non-controlling interests	**22,950**	24,427	**33,434**	–
Revenue	**130,209**	70,575	**84,064**	–
Expenses	**(130,556)**	(76,948)	**(67,664)**	–
Loss for the year, representing total comprehensive income for the year	**(347)**	(6,373)	**16,400**	–
Loss(Profit) attributable to owners of the Company	**(275)**	(3,640)	**14,760**	–
Loss(Profit) attributable to the non-controlling interests	**(72)**	(2,733)	**1,640**	–
Profit for the year	**(347)**	(6,373)	**16,400**	–
Total comprehensive income attributable to owners of the Company	**(275)**	(3,640)	**14,760**	–
Total comprehensive income attributable to the non-controlling interests	**(72)**	(2,733)	**1,640**	–
Total comprehensive income for the year	**(347)**	(6,373)	**16,400**	–
Dividends paid to non-controlling interests	**–**	–	**–**	–
Net cash inflow from operating activities	**(54,012)**	31,249	**8,630**	–
Net cash outflow from investing activities	**(139,862)**	(95,683)	**(41,267)**	–
Net cash inflow from financing activities	**170,665**	54,149	**(3,484)**	–
Net cash outflow	**(23,209)**	(10,285)	**(36,121)**	–

	GROUP	
	2019	2018
	RMB'000	RMB'000
Non-controlling interests:		
- Nanjing Shengnuo Heat Pipe Co., Ltd	**30,294**	28,095
- Shantou Sunpower Keying Thermal Power Co., Ltd	**127,400**	127,400
- Qingdao Xinyuan Thermal Power Co., Ltd	**38,213**	37,586
- Shandong Yangguang Engineering Design Institute Co., Ltd	**13,746**	22,312
- Xintai Zhengda Thermoelectric Co., Ltd	**22,950**	24,427
- Changshu Suyuan Thermal Power Co., Ltd	**33,434**	–
- Others	**533**	597
Total non-controlling interests	**266,570**	240,417

17 Associate

	GROUP	
	2019	2018
	RMB'000	RMB'000
Cost of investment in associate	**10,290**	10,290
Share of post-acquisition results	**163**	(1,033)
	10,453	9,257

Details of the associate is as follows:

Name of associate	Principal activities/Place of incorporation and operation	Effective interest and voting power held	
		2019	2018
		%	%
Jining Mining Industry Sunpower Clean Energy Development Co., Ltd [(1)]	New energy development and utilisation business activities/PRC	**49.0**	49.0

(1) *Audited by Zhongxi CPAS (Special General Partnership), PRC. Not material for Group's consolidation purposes.*

The following summarised financial information of Jining Mining Industry Sunpower Clean Energy Development Co.,Ltd. is presented before intragroup eliminations:

	GROUP	
	2019	2018
	RMB'000	RMB'000
Current assets	**12,243**	17,246
Non-current assets	**46,465**	42,851
Current liabilities	**(8,043)**	(30,326)
Non-current liabilities	**(29,333)**	(10,880)
Net assets	**21,332**	18,891
Group's share of associate's net assets	**10,453**	9,257

	GROUP	
	2019	2018
	RMB'000	RMB'000
Revenue	**23,632**	9,823
Gain (Loss) for the year	**2,441**	(2,108)
Group's share of associate's profit (loss) for the year	**1,196**	(1,033)

18 Intangible Assets

Group	Technical know-how RMB'000	Service concession arrangement RMB'000	Trademark RMB'000	Licenses RMB'000	Total RMB'000
Cost:					
At January 1, 2018	4,907	1,215,490	2,924	79,616	1,302,937
Additions	–	416,908	–	–	416,908
Arising from acquisition of a subsidiary (Note 40)	–	15,432	–	395,236	410,668
At December 31, 2018	4,907	1,647,830	2,924	474,852	2,130,513
Additions		271,427		3,330	274,757
Arising from acquisition of a subsidiary (Note 40)	–	–	–	228,079	228,079
Written Off	–	(2,160)	–	–	(2,160)
At December 31, 2019	**4,907**	**1,917,097**	**2,924**	**706,261**	**2,631,189**
Accumulated amortisation:					
At January 1, 2018	4,335	11,952	2,924	–	19,211
Amortisation for the year	572	32,427	–	4,575	37,574
At December 31, 2018	4,907	44,379	2,924	4,575	56,785
Amortisation for the year	–	33,622	–	13,954	47,576
At December 31, 2019	**4,907**	**78,001**	**2,924**	**18,529**	**104,361**
Carrying amount:					
At December 31, 2019	**–**	**1,839,096**	**–**	**687,732**	**2,526,828**
At December 31, 2018	–	1,603,451	–	470,277	2,073,728

The Group entered into service concession agreements with the local government authorities (the "Grantors"), pursuant to the construction and operation of centralised steam and electricity facilities during the concession period of up to 38.5 years, starting from the commencement date of commercial operation.

Revenue from service concession agreements (Note 33) represents the revenue recognised during the construction stage. The accounting policies and the significant accounting estimates relating to service concession arrangements are set out on Notes 2 and 3.2(a) to the financial statements respectively.

18 Intangible Assets (cont'd)

Service concession arrangements comprise the following:

Name of subsidiary as operator	Name of project	Location in PRC	Name of grantor	Type of service concession agreement	Service concession period
Quanjiao Sunpower Clean Energy Co., Ltd.)	Quanjiao	Anhui Quanjiao Economic Development Zone, Chuzhou City	Administration Commission of Quanjiao Economic Development Zone	BOT	30 years
Hebei Changrun Environmental Ltd	Changrun	Hebei Gaoyang Economic Development Zone	Administration Commission of Hebei Gaoyang Economic Development Zone	BOT	30 years
Lianshui Sunpower Clean Energy Co., Ltd	Lianshui	Lianshui Economic Development Zone	Administration Commission of Jiangsu Lianshui Economic Development Zone	BOT	Not more than 30 years
Shantou Sunpower Keying Thermal Power Co., Ltd	Shantou	Guangdong Shantou Chaonan Zone	Environmental Protection Comprehensive Management Center of Chaonan District, Shantou City for Textile Printing & Dyeing	BOT	38.5 years
Xintai Zhengda Thermoelectric Co., Ltd	Xintai	Xintai Xinpu District	Subdistrict office of Xintai Xinpu District	BOT	30 years

19 Deferred Tax Assets (Liabilities)

	GROUP	
	2019	2018
	RMB'000	RMB'000
(a) Deferred tax assets		
At beginning of year	**28,671**	14,194
Credit to profit or loss	**11,257**	10,898
Credit to other comprehensive income for the year	**83**	950
Arising from acquisition of a subsidiary (Note 40)	**–**	2,629
At end of year	**40,011**	28,671

19 Deferred Tax Assets (Liabilities)

The following are the major deferred tax assets recognised by the Group, and the movements thereon, during the current and prior reporting period:

	Loss allowance RMB'000	Allowance for inventories RMB'000	Government grant related assets RMB'000	Tax loss RMB'000	Accrued expenses RMB'000	PRC withholding tax RMB'000	Fair value change on investment in equity instruments RMB'000	Fair value change on investment in debt instruments RMB'000	Total RMB'000
At January 1, 2018	5,157	3,082	1,920	4,789	–	(754)	–	–	14,194
Credit (Charge) to profit or loss for the year	2,045	(572)	(1,572)	9,418	825	754	–	–	10,898
Credit to other comprehensive income for the year	–	–	–	–	–	–	482	468	950
Arising from acquisition of a subsidiary (Note 40)	–	–	2,629	–	–	–	–	–	2,629
At December 31, 2018	7,202	2,510	2,977	14,207	825	–	482	468	28,671
Credit (Charge) to profit or loss for the year	6,492	219	(229)	3,954	–	821	–	–	11,257
Credit to other comprehensive income for the year	–	–	–	–	–	–	(73)	156	83
At December 31, 2019	**13,694**	**2729**	**2,748**	**18,161**	**825**	**821**	**409**	**624**	**40,011**

The tax losses carryforwards from PRC entities will expire after 5 years from the date of tax losses incurred. The amount of tax losses carryforwards that will expire in the next 5 years are as follows :

	GROUP	
	2019 RMB'000	2018 RMB'000
In 1 year	**–**	–
In 2 years	**–**	–
In 3 years	**4,789**	–
In 4 years	**9,418**	4,789
In 5 years	**3,954**	9,418

19 Deferred Tax Assets (Liabilities) (cont'd)

The tax losses carryforwards from PRC entities will expire after 5 years from the date of tax losses incurred.

	GROUP	
	2019	2018
	RMB'000	RMB'000
(b) Deferred tax liabilities		
At beginning of year	**(148,190)**	(36,401)
Charge to profit or loss	**(1,735)**	(3,334)
Arising from acquisition of a subsidiary (Note 40)	**(63,791)**	(108,455)
At end of year	**(213,716)**	(148,190)

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting period:

	PRC withholding tax	Fair value gain on assets acquired through acquisition of subsidiaries	Portion of construction margin for BOT project yet to be subject to current tax	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	3,954	23,136	9,311	36,401
Charge to profit or loss for the year	2,145	–	1,189	3,334
Arising from acquisition of a subsidiary (Note 40)	–	108,455	–	108,455
At December 31, 2018	6,099	131,591	10,500	148,190
Charge (Credit) to profit or loss for the year	1,930	582	(777)	1,735
Arising from acquisition of a subsidiary (Note 40)		63,791	–	63,791
At December 31, 2019	**8,029**	**195,964**	**9,723**	**213,716**

The PRC withholding tax relates to the estimated amount of retained earnings that the Group may remit out of PRC to pay expenses or dividends.

20 Goodwill

Goodwill is allocated to each cash generating units ("CGU") identified that are expected to benefit from the business combination. The carrying amounts of goodwill of each CGU are as follows:

	GROUP	
	2019	2018
	RMB'000	RMB'000
Hebei Changrun Environmental Ltd.	**5,483**	5,483
Qingdao Xinyuan Thermal Power Co., Ltd.	**20,423**	20,423
Zhangjiagang Yongxing Thermal Power Co., Ltd (Note 40)	**309,863**	309,863
Changshu Suyuan Thermal Power Co., Ltd (Note 40)	**79,813**	–
	415,582	335,769

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units, are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates and expected order book and direct costs during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Expected order book and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management for the next five years using an average discount rate ranging from 7.38% to 12.95% (2018 : 7.38% to 13.13%) and terminal growth rate ranging from Nil% to 2% (2018 : Nil% to 2%) per annum.

Sensitivity analysis

Management estimates that any reasonable changes in the estimates and assumptions used in the discontinued cash flow model would not change the conclusion on the goodwill impairment assessment as the recoverable amount is still higher than the carrying amount of goodwill.

21 Trade Payables and Contract Liabilities

	GROUP	
	2019	2018
	RMB'000	RMB'000
Outside parties	**957,899**	1,160,638
Notes payables	**42,000**	106,544
Contract liabilities (Note 11)	**586,385**	449,928
Total	**1,586,284**	1,717,110

The average credit period for purchases of goods is 180 days (2018 : 180 days).

22 Other Payables

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Related parties (Note 5)	**7,884**	9,965	**–**	–
Outside parties	**83,308**	89,748	**–**	–
Accruals and other liabilities	**88,420**	79,439	**43,827**	42,595
Consideration payable for acquisition of subsidiaries (Note 40)	**185,574**	511,134	**–**	–
Accruals for payroll	**77,485**	61,914	**–**	–
Value-added taxes andother tax liabilities	**31,950**	34,203	**–**	–
Government grants received yet to be applied pending satisfaction of conditions	**51,871**	11,892	**–**	–
Subsidiaries (Note 16)	**–**	–	**25,957**	26,808
Total	**526,492**	798,295	**69,784**	69,403

The amount due to subsidiaries and related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

Government grants were received mainly in relation to the Group's environmental protection initiatives in combating pollution. The deferred income will be recognised in profit or loss over the period ranging from 3 to 5 years, depending on the fulfilment condition of the grant.

23 Borrowings

	GROUP		COMPANY	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loan A	**41,857**	82,358	**41,857**	82,358
Bank loans of Subsidiary A	**2,169,957**	1,185,975	**–**	–
Bank loans of Subsidiary B	**70,000**	64,000	**–**	–
Total borrowings	**2,281,814**	1,332,333	**41,857**	82,358
<u>Presentation in statement of financial position:</u>				
Current liabilities payable within one year	**1,009,611**	492,904	**41,857**	41,179
Non-current liabilities	**1,272,203**	839,429	**–**	41,179
Total	**2,281,814**	1,332,333	**41,857**	82,358

23 Borrowings (cont'd)

(a) Bank loan A is guaranteed by certain subsidiaries and bears weighted average interest rate of 4.57% (2018 : 4.38%) per annum. Repayments will continue until December 18, 2020.

(b) The bank loans of Subsidiary A are:

	GROUP	
	2019	2018
	RMB'000	RMB'000
Secured by building and land use rights of the subsidiary and guaranteed by the Company	**911,700**	645,375
Secured by building and land use rights of the subsidiary and guaranteed by other subsidiaries	**317,750**	–
Guaranteed by another subsidiary	**741,478**	245,100
Guaranteed by the Company	**180,029**	70,000
Secured by third party	**13,000**	–
Secured by former shareholder of subsidiary	**–**	219,500
Unsecured	**6,000**	6,000
Total	**2,169,957**	1,185,975

The bank loans bear weighted average effective interest rate of 5.35% (2018 : 4.98%) per annum.

(c) The bank loans of Subsidiary B, which are repayable within 12 months, are:

	GROUP	
	2019	2018
	RMB'000	RMB'000
Secured by building and land use rights of the Subsidiary and guaranteed by the Company	**20,000**	–
Secured by land use rights and buildingsand guaranteed by other subsidiaries	**20,000**	40,000
Guaranteed by other subsidiaries	**20,000**	24,000
Guaranteed by the Company	**10,000**	–
Total	**70,000**	64,000

The bank loans bear weighted average effective interest rate of 5.38% (2018 : 5.01%) per annum.

23 Borrowings (cont'd)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	January 1, 2019 RMB'000	**Financing cash flows[(i)] RMB'000**	**Acquisition of subsidiaries (Note 40) RMB'000**	**Fair value changes (Note 24) RMB'000**	**Foreign exchange movement RMB'000**	**Other changes[(ii)] RMB'000**	**December 31, 2019 RMB'000**
Borrowings (Note 23)	**1,332,333**	**877,481**	**72,000**	**–**	**–**	**–**	**2,281,814**
Convertible bonds (Note 24)	**729,442**	**–**	**–**	**91,288**	**8,907**	**91,670**	**921,307**
Leases liabilities (Note 26)	**16,538**	**(5,959)**	**–**	**–**	**–**	**662**	**11,241**
	2,078,313	**871,522**	**72,000**	**91,288**	**8,907**	**92,332**	**3,214,362**

			Non-cash changes				
	January 1, 2018 RMB'000	Financing cash flows[(i)] RMB'000	Acquisition of subsidiary (Note 40) RMB'000	Fair value changes (Note 24) RMB'000	Foreign exchange movement RMB'000	Other changes[(ii)] RMB'000	December 31, 2018 RMB'000
Borrowings (Note 23)	1,084,816	170,517	77,000	–	–	–	1,332,333
Convertible bonds (Note 24)	687,256	123,416	–	(165,390)	18,416	65,744	729,442
	1,772,072	293,933	77,000	(165,390)	18,416	65,744	2,061,775

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings, and net proceeds from issuance of convertible bonds in the consolidated statement of cash flows.

(ii) Other changes include interest accruals and payments.

24 Convertible Bonds

	GROUP AND COMPANY	
	2019	2018
	RMB'000	RMB'000
Debt host liability component, at amortised cost	**621,851**	521,274
Derivative liability component, at fair value	**299,456**	208,168
Total	**921,307**	729,442

On March 3, 2017, the Company issued convertible bonds ("CB1") amounting to US$110 million and these are convertible into new shares at an initial conversion price of S$0.50 per share.

In 2018, the Company obtained shareholders' approval in respect of an aggregate principal amount of up to US$70 million Tranche 2 convertible bond ("CB2") with an initial conversion price of S$0.60 per share, together with warrants exercisable at an aggregate amount of US$30 million. Details of the warrants are disclosed in Note 25.

On October 15, 2018, the Company issued US$20 million of CB2. As at December 31, 2018 and December 31, 2019, a principal amount of US$50 million CB2 have yet to be issued.

Both CB1 and CB2 will otherwise bear interest of 2.5% per annum until the maturity date of March 3, 2022. The Group is required to achieve performance targets calculated based on its audited adjusted profit after taxation and minority interest ("Adjusted PATMI") (excluding fair value gain and losses of the CB and non-recurring income from the sale of assets and businesses and other mutually agreed accounting adjustments) ("Performance Targets"), otherwise adjustments will be made to the conversion price accordingly.

The net proceeds received from the issue of the bonds have been split between the liability element and derivative component, representing the fair value of the embedded option to convert the liability into derivative of the Group, as follows:

	GROUP AND COMPANY	
	2019	2018
	RMB'000	RMB'000
CB1		
Nominal value of CB issued	**757,856**	757,856
Less: Transaction costs	**(26,342)**	(26,342)
Net value of CB issued	**731,514**	731,514
Foreign exchange loss	**8,458**	990
Cumulative interest accrued (Note 35)	**238,896**	139,837
Fair value gain on CB	**(134,637)**	(217,471)
Total	**844,231**	654,870
Less: Interest payables included in accruals (Note 22)	**(16,769)**	(16,171)
Less: Interest paid to bondholders	**(35,811)**	(17,394)
Debt host and derivative liability component at end of year	**791,651**	621,305

The interest accrued is calculated by applying an effective interest rate of 20.8% (2018 : 20.8%) per annum to the liability component.

24 Convertible Bonds (cont'd)

	GROUP AND COMPANY	
	2019	2018
	RMB'000	RMB'000
CB2		
Nominal value of CB issued	**138,285**	138,285
Less: Transaction costs	**(15,000)**	(14,869)
Net value of CB issued	**123,285**	123,416
Foreign exchange loss (gain)	**811**	(628)
Cumulative interest accrued (Note 35)	**18,553**	3,339
Fair value gain on CB	**(8,803)**	(17,257)
Total	**133,846**	108,870
Less: Interest payables included in accruals (Note 22)	**(2,911)**	(733)
Less: Interest paid to bondholders	**(1,279)**	–
Debt host and derivative liability component at end of year	**129,656**	108,137

The interest accrued is calculated by applying an effective interest rate of 19.17% (2018 : 19.17%) per annum to the liability component.

Management estimates that the carrying amount of the liability component of CB1 and CB2 as at December 31, 2019 and 2018 approximates its fair value.

25 Warrants

	GROUP AND COMPANY	
	2019	2018
	RMB'000	RMB'000
Fair value of warrants		
Warrants at date of issuance	**13,897**	13,897
Fair value gain on warrants	**(7,980)**	(4,900)
At end of the year	**5,917**	8,997

On October 15, 2018 ("Issue Date 1") and December 21, 2018 ("Issue Date 2"), the Company issued 16,464,490 and 41,161,224 warrants respectively. The exercise price of the warrants will be S$0.70 (if exercised between issuance and December 31, 2019) and S$0.80 (if exercised between January 1, 2020 to December 31, 2020, both dates inclusive), based on an agreed fixed exchange rate S$1.3446 to US$1. Each warrant carries the right to subscribe for one common share in the capital of the Company if the warrants were exercised.

25 Warrants (cont'd)

The warrants are issued at nil consideration, and the fair value of the warrants on the respective issue dates are recorded as commitment fee. The commitment fee is amortised by applying an effective interest of 19.17% (2018 : 19.17%) per annum, as follows:

	GROUP AND COMPANY	
	2019	2018
	RMB'000	RMB'000
Commitment fee at beginning of year	**13,943**	13,897
Foreign exchange (loss) gain during the year	**(251)**	606
Amortisation of commitment fee	**(2,520)**	(560)
At end of the year	**11,172**	13,943

26 Lease Liabilities

	GROUP
	2019
	RMB'000
Maturity analysis:	
Year 1	**4,158**
Year 2	**4,157**
Year 3	**3,627**
	11,942
Less: Future interest payments	**(701)**
	11,241
Analysed as:	
Current	**3,702**
Non-Current	**7,539**
	11,241

27 Share Capital

	GROUP AND COMPANY			
	2019	2018	**2019**	2018
	Number of ordinary shares of US$0.01 each			
	'000	'000	**US$'000**	US$'000
Authorised share capital:				
At beginning of the year	**2,300,000**	1,400,000	**23,000**	14,000
Increase of 900,000,000 ordinary shares of US$0.01 per share	**–**	900,000	**–**	9,000
At end of the year	**2,300,000**	2,300,000	**23,000**	23,000
	Number of ordinary shares			
	'000	'000	**RMB'000**	RMB'000
Issued and fully paid up:				
At the beginning of the year	**765,447**	737,657	**55,439**	53,531
Exercise of share options (Note 31)	**26,401**	27,790	**1,812**	1,908
At end of the year	**791,848**	765,447	**57,251**	55,439

Fully paid ordinary shares carry one vote per share and a right to dividends as and when declared by the Company.

On September 6, 2018, the authorised capital was increased from US$14,000,000 divided into 1,400,000,000 shares of US$0.01 each to US$23,000,000 divided into 2,300,000,000 shares of US$0.01 each.

28 Treasury Shares

	GROUP AND COMPANY	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**–**	–
Repurchased during the year	**4,690**	–
At the end of the year	**4,690**	–

In 2019, the Company acquired 2,542,000 of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was RMB4,690,000 and has been deducted from shareholders' equity. The shares are held as treasury shares. The Company intends to reissue these shares to executives who exercise their share options under the employee share option plan.

29 Share Premium

	GROUP AND COMPANY	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**288,618**	266,938
Additions during the year arising from issuance of shares from exercise of share options at a premium over the par value	**13,383**	14,247
Transfer from share option reserve arising from exercise of share options	**7,060**	7,433
At the end of the year	**309,061**	288,618

30 General Reserves

	GROUP	
	2019	2018
	RMB'000	RMB'000
Capital reserve:		
At the beginning of the year	**(394)**	(394)
Effects of acquiring part of non-controlling interests in a subsidiary	**2,410**	–
At the end of the year	**2,016**	(394)
Statutory surplus reserve fund:		
At the beginning of the year	**114,188**	84,217
Transfer during the year from retained earnings	**62,863**	29,971
At the end of the year	**177,051**	114,188
Enterprise expansion fund:		
At the beginning and at the end of the year	**4,098**	4,098
Total	**183,165**	117,892

Capital reserves represents effects of changes in ownership interests in a subsidiary when there is no change in control (Note 16).

Companies in PRC are required by regulation to appropriate 10% of annual PRC accounting profit to the reserve fund until the reserve reaches 50% of the registered capital. The statutory surplus reserve fund may be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital. The reserve is not available for distribution as dividends to shareholders.

Appropriation from the PRC accounting profit to the enterprise expansion fund is at the discretion of the Company at rates determined by the Company. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

31 Share Option Reserve

	GROUP AND COMPANY			
	2018		2018	
	Number of share options ('000)	**Exercise price RMB**	Number of share options ('000)	Exercise price RMB
Outstanding at the beginning of the year	**31,430**	**0.53**	59,220	0.53
Exercised during the year	**(26,401)**	**0.53**	(27,790)	0.53
Outstanding at the end of the year	**5,029**		31,430	

A total of 59,220,000 shares options were granted on May 19, 2015 under the Sunpower Employee Share Option Scheme 2015 ("2015 ESOS") which was approved by shareholders on April 29, 2015. Group Employees, Executive Directors, Non-Executive Directors, Controlling Shareholders and their Associates (all as defined in 2015 ESOS) can participate in the 2015 ESOS.

Subject to the absolute discretion of the Remuneration Committee, Controlling Shareholders and their Associates (as defined in the circular to the shareholders dated April 6, 2015) are eligible to participate in the 2015 ESOS, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option to any of them may only be effected with the specific prior approval of independent shareholders in a general meeting by a separate resolution as provided for in the circular to shareholders.

Share options are exercisable at S$0.116 (equivalent to RMB0.53). These share options are exercisable at any time 2 years after the date of grant. Any unexercised options will expire 10 years from date of grant. Options are forfeited if the grantee leaves the Group before the options vest.

Of the 59,220,000 share options granted, 5,922,000 share options were granted to Mr. Guo Hong Xin, Executive Director of the Company; 8,968,000 share options were granted to Mr. Ma Ming, Executive Director of the Company; and the remaining 44,330,000 share options were granted to Group Employees.

The estimated fair value of options granted to Mr. Guo and Mr. Ma was S$0.052 (equivalent to RMB0.24) and the estimated fair value of options granted to Group Employees was S$0.0604 (equivalent to RMB0.28).

These fair values were calculated using the Binomial model with inputs as follow:

	Mr. Guo and Mr. Ma	**Group Employees**
Weighted average share price (RMB)	0.67	0.67
Weighted average exercise price (RMB)	0.53	0.53
Expected volatility	38.89%	44.44%
Expected life	3 years	5 years
Risk free rate	0.98%	1.56%
Expected dividend yield	0.68%	0.68%

Expected volatility for options granted to Mr. Guo, Mr. Ma; and to Group Employees were determined by calculating the historical volatility of the Company's share price over the past 3 and 5 years prior to the date of grant of May 19, 2015 respectively.

32 Revaluation Reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of:

(i) investments in equity instruments designated as at FVTOCI, and

(ii) investments in debt instruments classified as at FVTOCI.

Movements in investments revaluation reserve

	GROUP	
	2019	2018
	RMB'000	RMB'000
Balance at beginning of year	**2,964**	–
Fair value (gain) loss on investments in equity instruments designated as at FVTOCI	**(321)**	1,845
Fair value loss on investments in debt instruments classified as at FVTOCI	**569**	1,119
Balance at end of year	**3,212**	2,964

33 Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 44).

A disaggregation of the Group's revenue for the year is as follows:

	GROUP	
	2019	2018
	RMB'000	RMB'000
Segment revenue		
Sales of goods	**1,301,281**	1,405,035
Construction contracts	**795,075**	656,902
Revenue from service concession arrangements	**331,475**	458,708
Provision of utilities	**1,133,975**	711,673
Provision of other services	**42,826**	30,575
Total	**3,604,632**	3,262,893

33 Revenue (cont'd)

	GROUP 2019 RMB'000	2018 RMB'000
Timing of revenue recognition		
At a point of time:		
Sales of goods	**1,301,281**	1,405,035
Provision of utilities	**1,133,975**	711,673
	2,435,256	2,116,708
Over time:		
Construction contracts	**795,075**	656,902
Provision of other services	**42,826**	30,575
Revenue from service concession arrangements	**331,475**	458,708
	3,604,632	3,262,893

The following table shows the aggregate amount of the transaction price allocated to performance obligations are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	GROUP 2019 RMB'000	2018 RMB'000
Construction contracts	**195,940**	183,089
Revenue from service concession arrangements	**95,895**	461,416
	291,835	644,505

34 Other Operating Income

	GROUP 2019 RMB'000	2018 RMB'000
Government grants	**45,832**	40,744
Interest income	**3,799**	6,145
Reversal of impairment loss on trade and other receivables subject to ECL	**21,734**	10,902
Indemnity insurance	**–**	5,344
Government rebates	**4,181**	–
Others	**5,721**	5,301
Total	**81,267**	68,436

35 Finance Costs

	GROUP	
	2019	2018
	RMB'000	RMB'000
Interest expense on bank loans	**109,250**	61,824
Interest expense on convertible bonds (Note 24)	**114,273**	84,952
Interest expense on lease liabilities	**662**	–
Total	**224,185**	146,776

36 Profit Before Income Tax

(a) This has been arrived at after charging (crediting):

	GROUP	
	2019	2018
	RMB'000	RMB'000
Amortisation of land use rights *	**6,967**	5,479
Amortisation of intangible assets *	**47,576**	37,574
Audit fees:		
- to auditors of the Company	**1,153**	1,111
- to other auditors	**2,469**	2,230
Non-audit fees:		
- to auditors of the Company	**27**	25
- to other auditors	**593**	400
Cost of inventories sold included in cost of sales	**1,850,402**	1,833,697
Defined contribution plans	**37,537**	44,732
Depreciation of right of use asset	**2,535**	–
Depreciation of property, plant and equipment	**87,959**	63,366
Directors' fees - Directors of the Company	**1,654**	1,297
Directors' remuneration - Directors of the Company	**26,540**	23,143
Foreign exchange loss on convertible bonds	**8,907**	18,416
Foreign exchange loss (gain) on warrants	**251**	(606)
Loss (Gain) on disposal of property, plant and equipment	**474**	(381)
Impairment loss on (Reversal of) inventories, net	**1,459**	(3,815)
Research and development expenses	**108,852**	97,454
Salaries and wages	**320,655**	296,755
Impairment loss on financial assets:		
- Impairment loss on trade and other receivables subject to ECL*	**66,192**	26,089
- Reversal of impairment loss on trade and other receivables subject to ECL	**(21,734)**	(10,902)

* *included in other operating expenses.*

36 Profit Before Income Tax (cont'd)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the financial year were as follows:

	GROUP	
	2019 **RMB'000**	2018 RMB'000
Short-term benefits	**29,119**	27,501
Other staff benefits	**247**	427
Total	**29,366**	27,928

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

37 Income Tax Expense

Income tax recognised in profit or loss:

	GROUP	
	2019 **RMB'000**	2018 RMB'000
Tax expense comprises:		
Current tax expense	**99,974**	56,228
Adjustments recognised in the current year in relation to the current tax of prior year	**256**	(1,645)
Deferred tax (Note 19)	**(9,522)**	7,564
Total tax expense	**90,708**	62,147

The income tax expense varied from the amount of income tax expense determined by applying the PRC income tax rate of 25% (2018 : 25%) to profit before income tax as a result of the following differences:

	GROUP	
	2019 **RMB'000**	2018 RMB'000
Profit before income tax	**240,052**	394,702
Income tax expense calculated at PRC income tax rate of 25%	**60,013**	98,676
Tax effect of non-deductible items	**5,842**	5,009
Effect of different tax rates of subsidiaries operating in others jurisdictions	**61,476**	(8,166)
Effect of tax exemption and tax incentives	**(36,879)**	(34,557)
Temporary differences previously not recognised	**–**	2,830
Under (Over) Under provision of current tax in prior years	**256**	(1,645)
Income tax expense	**90,708**	62,147

37 Income Tax Expense (cont'd)

(a) Jiangsu Sunpower Technology Co., Ltd., Nanjing Shengnuo Heat Pipe Co., Ltd. and Shandong Yangguan Engineering Design Insitute Co., Ltd.

The above subsidiaries are foreign investment enterprises located in Nanjing, Jiangsu Province, PRC, where the statutory tax rate is 25%. In 2009, Jiangsu Sunpower Technology Co., Ltd., Nanjing Shengnuo Heat Pipe Co.,Ltd. received official approval for a preferential tax rate of 15%, initially for three years and subsequently renewed, with the latest renewal for three years commencing from 2017 respectively. Shandong Yangguan Engineering Design Insitute Co., Ltd. received official approval for a preferential tax rate of 15% with the latest renewal for three years commencing from 2017 respectively.

(b) Jiangsu Sunpower Pressure Vessels Equipment Manufacturing Co., Ltd. and Jiangsu Sunpower Pipe-line Engineering Technology Co., Ltd.

The above subsidiaries are foreign investment enterprises located in Nanjing, Jiangsu Province, PRC, where the statutory tax rate is 25%. In 2015, they received official approval for a preferential tax rate of 15%, for three years beginning 2018, under the "New and High Tech Enterprises" scheme.

38 Earnings Per Share

	GROUP	
	2019	2018
	RMB'000	RMB'000
Earnings:		
Profit attributable to equity holders of the Company	**138,042**	320,520
Financial effects on convertible bonds and warrants	**214,158**	(66,968)
Financial effects of convertible bonds and warrants	**352,200**	253,552
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**781,323**	738,258
Effect of dilutive potential ordinary shares from share options and convertible bonds and warrants ('000)	**444,369**	349,022
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	**1,225,692**	1,087,280
Basic earnings per share (RMB cents)	**17.67**	43.42
Diluted earnings per share (RMB cents)	**28.73**	23.32

39 Dividends

In 2019, a first and final tax exempt dividend of S$0.0018 per ordinary share totalling S$1,454,349 (equivalent to RMB7,302,000) was paid to shareholders in respect on the financial year ended December 31, 2018.

In 2018, a first and final tax exempt dividend of S$0.0012 per ordinary share totalling S$885,189 (equivalent to RMB4,239,000) was paid to shareholders in respect on the financial year ended December 31, 2017.

40 Acquisition of Subsidiaries

For the financial year ended December 31, 2019

During the year, the Group acquired 90% of the issued share capital of Changshu Suyuan Thermal Power Co., Ltd. (“Changshu Suyuan”) for a consideration of RMB286,150,000.

The acquisition of Changshu Suyuan is a business combination accounted for under the acquisition method.

Assets acquired and liabilities assumed at the date of acquisition

Changshu Suyuan Thermal Power Co., Ltd.

	Total RMB’000
Current assets	
Cash and cash equivalents	41,565
Trade receivables	14,093
Other receivables	20,011
Inventories	6,731
Income tax recoverable	161
Non-current assets	
Property, plant and equipment	126,817
Land use rights	12,350
Intangible assets	228,079
Current liabilities	
Trade payables	(12,106)
Other payables	(63,779)
Borrowings	(61,000)
Non-current liabilities	
Deferred tax liabilities	(63,791)
Borrowings	(11,000)
Assets acquired net of liabilities assumed	238,131

40 Acquisition of Subsidiaries (cont'd)

Goodwill arising on acquisition

Changshu Suyuan Thermal Power Co., Ltd.

	Total RMB'000
Cash consideration	286,150
Less: Fair value of identifiable net assets acquired	(238,131)
Add: Non-controlling interests arising from acquisition	31,794
Goodwill arising on acquisition (Note 20)	79,813

Net cash outflow on acquisition of subsidiaries

	Total RMB'000
Consideration paid in cash for acquisitions during the year (1)	114,460
Less: Cash and cash equivalent balances acquired	(41,565)
	72,895

(1) Of the total cash consideration of RMB286,150,000, RMB171,690,000 remained unpaid as at December 31, 2019; and is included in "other payables" in Note 22.

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB21.9 million attributable to the additional business generated by Changshu Suyuan. Revenue for the period from Changshu Suyuan amounted RMB84.5 million.

Had the business combination during the year been effected at January 1, 2019, the revenue of the Group from continuing operations would have been RMB3,722.9 million, and the profit for the year from continuing operations would have been RMB180.0 million. Management considers these "pro-forma" numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

For the financial year ended December 31, 2018

(a) In 2018, the Group acquired 71% of the issued share capital of Xintai Zhengda Thermoelectric Co., Ltd. ("Xintai Zhengda") for a consideration of RMB66,502,000.

The acquisition of Xintai Zhengda did not give rise to any goodwill as the acquisition was accounted for as an acquisition of assets.

(b) On August 14, 2018, the Group acquired 100% and 40% of the issued share capital of Zhangjiagang Yongxing Thermal Power Co., Ltd. ("Yongxing") and Jiangsu Hengtong Electricity Sales Co., Ltd ("Hengtong") for a consideration of RMB765,000,000 and RMB8,000,000 respectively. Yongxing holds 60% of equity interest in Hengtong.

40 Acquisition of Subsidiaries (cont'd)

Assets acquired and liabilities assumed at the date of acquisition

Xintai Zhengda Thermoelectric Co., Ltd.

	Total RMB'000
Current assets	
Cash and cash equivalents	35,622
Trade receivables	24,156
Other receivables	6,933
Inventories	7,189
Non-current assets	
Land use rights	36,482
Equity instrument at fair value through other comprehensive income	4,263
Property, plant and equipment	147,668
Intangible assets	15,432
Current liabilities	
Trade payables	(118,163)
Other payables	(27,325)
Income tax payable	(1,595)
Non-current liabilities	
Borrowings	(37,000)
Assets acquired net of liabilities assumed	93,662
Less: Non-controlling interest arising from acquisition	(27,160)
Cash consideration	66,502

40 Acquisition of Subsidiaries (cont'd)

Assets acquired and liabilities assumed at the date of acquisition (cont'd)

Zhangjiagang Yongxing Thermal Power Co., Ltd.

	Total RMB'000
Current assets	
Cash and cash equivalents	35,499
Trade receivables	36,708
Other receivables	2,051
Inventories	7,133
Non-current assets	
Land use rights	28,031
Property, plant and equipment	240,022
Intangible assets	395,236
Deferred tax asset	2,629
Current liabilities	
Trade payables	(103,465)
Other payables	(32,153)
Income tax payable	(99)
Borrowings	(40,000)
Non-current liabilities	
Deferred tax liabilities	(108,455)
Assets acquired net of liabilities assumed	463,137

Goodwill arising on acquisition

Zhangjiagang Yongxing Thermal Power Co., Ltd.

	Total RMB'000
Cash consideration	773,000
Less: Fair value of identifiable net assets acquired	(463,137)
Goodwill arising on acquisition (Note 20)	309,863

40 Acquisition of Subsidiaries (cont'd)

Net cash outflow on acquisition of subsidiaries

	Total RMB'000
Consideration paid in cash for acquisitions during the year ended December 31, 2018 (1)(2)	318,365
Consideration paid in cash for acquisitions during the year ended December 31, 2017	186,226
Less: Cash and cash equivalent balances acquired	(71,121)
	433,470

(1) Of the total cash consideration of RMB839,502,000, RMB511,133,887 remained unpaid as at December 31, 2018; and is included in "other payables" in Note 22. RMB10,000,000 was pre-paid in 2017 for the acquisition of Xintai Zhengda.

(2) RMB497,250,000 of the cash consideration of RMB511,133,897 (inclusive of interest), which remained unpaid as at December 31, 2018, was paid in 2019. The remaining cash consideration of RMB13,883,897 remained unpaid as at December 31, 2019; and is included in "other payables" in Note 22.

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB59.2 million attributable to the additional business generated by Yongxing. Revenue for the period from Yongxing amounted RMB180.1 million.

Had the business combination during the year been effected at January 1, 2018, the revenue of the Group from continuing operations would have been RMB3,514.9 million, and the profit for the year from continuing operations would have been RMB415.5 million. Management considers these "proforma" numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

41 Operating Lease Commitments

	GROUP	
	2019 **RMB'000**	2018 RMB'000
Minimum lease payments paid under operating leases recognised as an expense in the year	**10,099**	11,234

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	GROUP	
	2019 **RMB'000**	2018 RMB'000
Within one year	**3,383**	7,184
In the second to fifth years inclusive	**842**	12,156
More than 5 years	**–**	450
Total	**4,225**	19,790

The above commitments of RMB4.2 million relate to short-term leases and small value assets.

42 Capital Commitments

	GROUP	
	2019	2018
	RMB'000	RMB'000
For acquisition of intangible assets	**362,649**	268,990

43 Contingent Liabilities

The Group and the Company has contingent liabilities arising from guarantees given for bank loans as disclosed in Note 23.

44 Segment Information

The Group determines its operating segments based on components of the Group's business which are reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

In 2018, the Group combined Environmental equipment manufacturing ("EEM") and Engineering, procurement and construction ("EPC") segments into a single segment, renamed as Manufacturing & services ("M&S"). Thereafter, the Group has the following business segments with the segmental analysis used to allocate resources and to assess performance:

(1) Manufacturing & services ("M&S") - this segment includes highly efficient heat exchangers and pressure vessels, heat pipes and heat pipe exchangers, pipeline energy saving products and related environmental protection products. This segment also provide solutions for flare and flare gas recovery system, desulphurisation and denitrification system, zero liquid discharge system, petrochemical engineering and energy saving system.

(2) Green investments ("GI") - this segment focus on the investment, development and operation of centralised heat, steam and electricity generation plants.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2 to the financial statements. Segment results represent the profits earned by each segment without allocation of central administration costs, director's remuneration, interest income, foreign exchange gains and losses, income tax and finance costs at corporate level.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

44 Segment Information (cont'd)

Segment information about the Group's operating segments are presented below.

	M&S RMB'000	GI RMB'000	Total RMB'000
2019			
REVENUE	**2,449,311**	**1,155,321**	**3,604,632**
RESULT			
Segment result	**265,227**	**326,260**	**591,487**
Unallocated corporate expenses			**(30,544)**
Financial effects of convertible bonds (Note A)			**(214,468)**
Financial effects of warrants (Note B)			**(310)**
Interest expense	**(29,600)**	**(80,312)**	**(109,912)**
Interest income	**1,958**	**1,841**	**3,799**
Profit before income tax			**240,052**
Income tax expense			**(90,708)**
Profit for the year			**149,344**
2018			
REVENUE	2,526,078	736,815	3,262,893
RESULT			
Segment result	234,129	196,012	430,141
Unallocated corporate expenses			(47,289)
Financial effects of convertible bonds (Note A)			62,022
Financial effects of warrants (Note B)			5,506
Interest expense	(26,576)	(35,248)	(61,824)
Interest income	2,572	3,574	6,146
Profit before income tax			394,702
Income tax expense			(62,147)
Profit for the year			332,555

Note A

Financial effect of convertible bonds consists of unrealised foreign exchange difference, interest and fair value gain on convertible bonds (Note 24).

Note B

Financial effects of warrants consists of unrealised foreign exchange difference (Note 25).

Segment assets represent property, plant and equipment, land use rights, intangible assets, deferred tax assets, inventories, trade receivables and contract assets, other receivables, deposits and prepayments, pledged bank deposits and bank balances and cash, which are attributable to each operating segments. Segment liabilities represent trade and other payables, tax payables, bank borrowings, amount due to customers for contract work and deferred tax liabilities, which are attributable to each operating segments.

Unallocated corporate assets mainly represent bank balances and cash, other receivables, deposits and prepayments at corporate level.

Unallocated corporate liabilities represent other payables at corporate level.

44 Segment Information (cont'd)

Segment information about the Group's operating segments are presented below. (cont'd)

Statement of Net Assets	M&S RMB'000	GI RMB'000	Total RMB'000
December 31, 2019			
Assets:			
Segment assets	**3,203,278**	**4,360,246**	**7,563,524**
Unallocated assets			**53,914**
Total assets			**7,617,438**
Liabilities:			
Segment liabilities	**2,266,659**	**2,329,650**	**4,596,309**
Unallocated liabilities			**1,021,261**
Total liabilities			**5,617,570**
December 31, 2018			
Assets:			
Segment assets	2,742,724	3,737,939	6,480,663
Unallocated assets			142,784
Total assets			6,623,447
Liabilities:			
Segment liabilities	1,938,778	1,956,793	3,895,571
Unallocated liabilities			897,608
Total liabilities			4,793,179

44 Segment Information (cont'd)

Segment information about the Group's operating segments are presented below. (cont'd)

OTHER INFORMATION	M&S RMB'000	GI RMB'000	Total RMB'000
2019			
Capital expenditure			
- Property, plant and equipment	**21,227**	**210,416**	**231,688**
- Intangible assets	**3,330**	**499,506**	**502,836**
- Land use rights	**–**	**16,981**	**16,981**
Depreciation expense of plant and equipment	**30,254**	**57,705**	**87,959**
Depreciation expense of right of use asset	**2,535**	**–**	**2,535**
Impairment losses, net of reversal, on trade and other receivables subject to ECL	**44,231**	**227**	**44,458**
Impairment allowance on inventories, net of reversals	**1,459**	**–**	**1,459**
Amortisation of intangible assets	**–**	**47,576**	**47,576**
Amortisation of land use rights	**2,024**	**4,943**	**6,967**
2018			
Capital expenditure			
- Property, plant and equipment	64,835	394,564	459,399
- Intangible assets	–	827,576	827,576
- Land use rights	–	98,230	98,230
Depreciation expense	27,478	35,888	63,366
Impairment losses, net of reversal, on trade and other receivables subject to ECL	13,917	1,270	15,187
Reversal of impairment allowance on inventories, net of impairment	(3,815)	–	(3,815)
Amortisation of intangible assets	572	37,002	37,574
Amortisation of land use rights	2,016	3,463	5,479

44 Segment Information (cont'd)

Geographical information

The geographical locations of the customers of the Group principally comprise the PRC, Canada, U.S.A, India, South East Asia, Middle East, Europe, South America, and Oceania.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investments in associate, deferred tax assets, commitment fee and "other" financial assets) by geographical location are detailed below:

	Revenue from external customer		Non-current assets	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**3,542,897**	2,969,738	**4,263,491**	3,564,823
Canada	**–**	1,150	**–**	–
U.S.A	**42,221**	168,940	**–**	–
Asia	**18,450**	29,745	**–**	–
South East Asia	**915**	54,950	**–**	–
Middle East	**–**	20,510	**–**	–
Europe	**149**	17,860	**–**	–
Total	**3,604,632**	3,262,893	**4,263,491**	3,564,823

Information about major customers

There is no single customer which contributes 10% or more of the revenue in 2019 and 2018, respectively.

45 Events After The Reporting Period

a) The Company announced that on April 3, 2020, the Company incorporated Jiangsu Sunpower Combustion Technology., Ltd., a combustion technology joint venture company in the People's Republic of China with Nanjing Chaoshan Environmental Technology Co., Ltd ("Nanjing Chaoshan"). With a total registered capital of RMB10,000,000, the entity is 65% owned by Jiangsu Sunpower Technology and 35% owned by Nanjing Chaoshan.

b) The Company announced that on April 23, 2020, the Company incorporated Jiangsu Sunpower Smart Energy Co., Ltd., a company in the People's Republic of China, which principal activities include thermal production and supply. With a total registered capital of US$30,000,000, the entitiy is wholly owned by Sunpower International Holding (Singapore) Pte Ltd.

c) During the first quarter of 2020 ("1Q2020"), COVID-19 affected the Group's operations and financial performance.

   1Q2020 was the first full quarter with pressure from COVID-19, and the Group reported that its unaudited financial results (without the financial effects of convertible bonds and warrants) which reflected the impact. In total, COVID-19, among other factors, negatively impacted the Group's revenues by approximately RMB138.9 million or 17.1% from RMB811.6 million in 1Q2019 to RMB672.7 million in 1Q2020. Consequentially, the profit for the period also decreased by approximately RMB9.5 million or 14.9% from RMB63.4 million in 1Q2019 to RMB53.9 million in 1Q2020. However, the net profit margin improved from 7.8% in 1Q2019 to 8.0% in 1Q2020.

   The Group's operations resumed after the situation came under control in China in end-February and early March. Given the evolving nature of the COVID-19 pandemic, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group for 2020.

46 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the company in the periods of their initial application.

<u>Effective for annual periods beginning on or after January 1, 2020</u>

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements and SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*[1]
- Amendments to SFRS(I) 3 *Business Combinations: Definition of a Business*[1]
- Amendments to References to the Conceptual Framework in SFRS(I) Standards[1]

[1] Applies to annual periods beginning on or after January 1, 2020.

Management anticipates that the adoption of the above amendments to SFRS(I) in future periods will not have a material impact on the financial statements in the period of their initial adoption.

STATISTICS OF SHAREHOLDINGS

As at 4 May 2020

Distribution of shareholdings

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.09	49	0.00
100 - 1,000	67	5.82	46,951	0.01
1,001 - 10,000	429	37.27	3,054,860	0.39
10,001 - 1,000,000	624	54.21	40,514,500	5.13
1,000,001 AND ABOVE	30	2.61	745,689,782	94.47
TOTAL	**1,151**	**100.00**	**789,306,142**	**100.00**

Twenty largest shareholders

NO.	NAME	NO. OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	154,749,137	19.61
2	UOB KAY HIAN PRIVATE LIMITED	112,965,683	14.31
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	100,293,300	12.71
4	OCBC SECURITIES PRIVATE LIMITED	84,584,498	10.72
5	CITIBANK NOMINEES SINGAPORE PTE LTD	77,892,371	9.87
6	JOYFIELD GROUP LIMITED	66,154,120	8.38
7	DBS NOMINEES (PRIVATE) LIMITED	58,395,000	7.40
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	14,278,500	1.81
9	PHILLIP SECURITIES PTE LTD	10,593,800	1.34
10	DB NOMINEES (SINGAPORE) PTE LTD	7,013,700	0.89
11	KGI SECURITIES (SINGAPORE) PTE. LTD	6,749,000	0.86
12	ABN AMRO CLEARING BANK N.V	5,843,100	0.74
13	LIAO LIZHENG	5,235,200	0.66
14	LI FENG	5,120,000	0.65
15	NOMURA SINGAPORE LIMITED	3,861,800	0.49
16	TAN KAH BOH ROBERT@ TAN KAH BOO	3,300,000	0.42
17	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,843,673	0.36
18	DBSN SERVICES PTE. LTD.	2,750,000	0.35
19	HONG LEONG FINANCE NOMINEES PTE LTD	2,750,000	0.35
20	WATERWORTH PTE LTD	2,600,000	0.33
	TOTAL	**727,972,882**	**92.25**

STATISTICS OF SHAREHOLDINGS

As at 4 May 2020

Share capital

Authorised share capital	:	US$23,000,000
Issued and fully paid-up	:	US$7,918,481.42
Class of Shares	:	Ordinary shares of US$0.01 each
Number of Treasury Shares held	:	2,542,000
Number of subsidiary holdings held	:	Nil
Voting rights	:	One vote per share

Shareholdings Held in Hands of Public

Based on information available to the Company as at 4 May 2020, 38.3% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

Substantial shareholders as at 4 May 2020

Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
1. Guo Hong Xin(1)	–	–	153,638,554	19.46
2. Ma Ming(2)	–	–	137,509,737	17.43
3. Allgreat Pacific Limited(3)	82,209,983	10.41	71,428,571	9.05
4. Claremont Consultancy Limited(4)	66,081,166	8.38	71,428,571	9.05
5. Sunpower Business Group Pte. Ltd.	71,428,571	9.05	–	–
6. Tournan Trading Pte. Ltd.	71,428,571	9.05	–	–
7. Lin Yucheng	100,000,000	12.67	–	–
8. Joyfield Group Limited	66,154,120	8.38	–	–
9. Pan Shuhong(5)	19,393,198	2.46	66,154,120	8.38

Notes:

(1) Mr Guo Hong Xin is (i) deemed to be interested in the 82,209,983 shares held by Allgreat Pacific Limited which is an investment holding company wholly owned by him, and (ii) deemed to be interested in the 71,428,571 shares held by Sunpower Business Group Pte. Ltd., which is an investment holding company wholly owned by Allgreat Pacific Limited, which is in turn wholly owned by him.

(2) Mr Ma Ming is (i) deemed to be interested in the 66,081,166 shares held by Claremont Consultancy Limited which is an investment holding company wholly owned by him, and (ii) deemed to be interested in the 71,428,571 shares held by Tournan Trading Pte. Ltd., which is an investment holding company wholly owned by Claremont Consultancy Limited, which is in turn wholly owned by him.

(3) Sunpower Business Group Pte. Ltd., is wholly owned subsidiary of Allgreat Pacific Limited. Accordingly, Allgreat Pacific Limited is deemed to be interested in the 71,428,571 shares held by Sunpower Business Group Pte. Ltd.

(4) Tournan Trading Pte. Ltd., is wholly owned subsidiary of Claremont Consultancy Limited. Accordingly, Claremont Consultancy Limited is deemed to be interested in the 71,428,571 shares held by Tournan Trading Pte. Ltd.

(5) Ms Pan Shuhong is deemed to be interested in the 66,154,120 shares held by Joyfield Group Limited which is wholly owned by her.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 Annual General Meeting of the Company ("AGM") will be held on Wednesday, 24 June 2020 at the Company's Board Room, No. 2111 Chengxin Avenue, High-tech Industrial Park, Jiangning District, Nanjing, Jiangsu, 211112, People's Republic of China, and will be broadcast "live" to shareholders *via* an audio and video feed as well as an audio only link (the details of which are set out in the notes below), at 10.00 a.m., for the purpose of transacting the following business:

Ordinary business

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2019 together with the Directors' Statement and the Auditors' Report thereon. **Resolution 1**

2. To declare a 1-tier tax exempt final dividend of S$0.0025 per share in respect of the financial year ended 31 December 2019. **Resolution 2**

3. To approve Directors' fees of S$250,020 for the financial year ended 31 December 2019. (2018: S$299,500) **Resolution 3**

4. To re-elect the following Directors retiring pursuant to Bye-Law 104 of the Bye-Laws of the Company:-

   (i) Li Lei *(See Explanatory Note)* **Resolution 4**

   (ii) Ma Ming **Resolution 5**

   (iii) Lau Ping Sum Pearce *(See Explanatory Note)* **Resolution 6**

5. To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**

Special business

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

6. That pursuant to Bye-Law 12(B) of the Bye-Laws of the Company and listing rules of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors be and are hereby authorised to: **Resolution 8**

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

PROVIDED THAT:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company (as calculated in accordance with subparagraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to existing shareholders of the Company (including shares to be issued in pursuant of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company (as calculated in accordance with subparagraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraphs (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares if any at the time this Resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

   (ii) any subsequent bonus issue or consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by the Bye-Laws to be held, whichever is the earlier.

(See Explanatory Note)

7. That approval be and is hereby given to the Board of Directors of the Company to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the options under the Sunpower Employee Share Option Scheme 2015 ("ESOS"), **Resolution 9**

PROVIDED THAT the aggregate nominal amount of shares over which the Remuneration Committee may grant options on any date, when added to the nominal amount of shares issued and issuable in respect of all options granted under the ESOS shall not exceed 15 percent of the issued share capital of the Company on the day immediately preceding the date of the relevant grant. *(See Explanatory Note)*

Other business

8. To transact any other business that may be properly transacted at the Annual General Meeting of the Company.

BY ORDER OF THE BOARD

HO WUI MEE MARIAN
Company Secretary

1 June 2020

Explanatory notes:

Resolution 4

Mr Li Lei, Non-Executive Director, a member of Remuneration Committee and a member of Nominating Committee, will continue to serve in these capacities if re-elected as a Director of the Company.

Resolution 6

Mr Lau Ping Sum Pearce, Chairman of Remuneration Committee, a member of Nominating Committee and a member of Audit Committee, will continue to serve in these capacities if re-elected as a Director of the Company. Mr Lau is an Independent Director.

Resolution 8

Ordinary Resolution no. 8, if passed, will empower the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company, with a sub-limit of twenty per cent (20%) for issued other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares (excluding treasury shares and subsidiary holdings (if any)) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings (if any)) in the capital of the Company at the time this resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolutions passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Resolution 9

The Ordinary Resolution no. 9, if passed, will empower the Board of Directors of the Company to allot and issue shares in the issued capital of the Company pursuant to the exercise of the options under the Sunpower Employee Share Option Scheme 2015 provided that the aggregate nominal amount of shares over which the options are granted does not exceed 15 percent of the issued share capital of the Company from time to time.

Notes:

1. As part of the measures to minimise the risk of community spread of COVID-19 in Singapore, the Company will arrange for a live webcast, which allows shareholders to view the proceedings of the AGM *via* a "live" audio and video feed ("**Webcast**"). In addition, shareholders will be able to observe the AGM proceedings by audio only means ("**Audio Link**"). Shareholders who wish to observe the AGM proceedings by Webcast or Audio Link must pre-register *via* the pre-registration website at URL https://sg.conveneagm.com/sunpower by 10:00 a.m. on 19 June 2020 ("**Registration Deadline**"). Following verification of their shareholding status, shareholders will receive further instructions on how to access the Webcast and the Audio Link *via* email ("**Registration Confirmation Email**") by 22 June 2020.

   Shareholders who have pre-registered by the Registration Deadline but do not receive the Registration Confirmation Email by 12:00 p.m. on 23 June 2020 should contact the Company at ir@sunpower.com.cn stating: (a) the Shareholder's full name; and (b) the Shareholder's identification/registration number.

2. In Singapore, shareholders will not be able to attend the AGM in person. Shareholders viewing the Webcast or listening to the Audio Link will not be able to submit questions during the AGM. Shareholders must submit any questions they may have by 10:00 a.m. on 19 June 2020:

   (a) in hard copy to the registered office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712;

   (b) by email to ir@sunpower.com.cn; or

   (c) *via* the pre-registration website at URL https://sg.conveneagm.com/sunpower.

   Shareholders submitting questions are required to state: (a) their full name; and (b) their identification/registration number, failing which the Company shall be entitled to regard the submission as invalid and not respond to the questions submitted.

   The Company will provide responses to substantial and relevant questions prior to the AGM through publication on SGXNet and the Company's website at URL http://www.sunpower.com.cn/ or at the AGM.

3. All shareholders must vote by proxy only. Shareholders must appoint the Chairman of the AGM to act as their proxy and Depositor Proxy Forms appointing such person other than the Chairman of the AGM shall be deemed to appoint the Chairman of the AGM as proxy. Shareholders should specifically direct the Chairman of the AGM on how they wish to vote for or vote against (or abstain from voting on) the resolutions in the Depositor Proxy Form. If no specific direction as to voting is given, the Chairman of the AGM may vote or abstain from voting at his/her discretion.

   The signed Depositor Proxy Form, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must be:

   (a) lodged at the registered office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or

   (b) submitted by email to ir@sunpower.com.cn,

   in either case, by no later than 10.00 a.m. on 22 June 2020, failing which the Company shall be entitled to regard the Depositor Proxy Form as invalid.

NOTICE OF ANNUAL GENERAL MEETING

The Depositor Proxy Form must be signed by the appointor or his attorney duly authorised in writing. Where the Depositor Proxy Form is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney. Where the Depositor Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney appointing the attorney or other authority, or a notarially certified copy thereof, if any, under which the Depositor Proxy Form is signed must (unless previously registered with the Company) be lodged with Depositor Proxy Form, failing which the Company shall be entitled to regard the Depositor Proxy Form as invalid.

The Company shall be entitled to reject the Depositor Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Depositor Proxy Form (such as in the case where the appointor submits more than one (1) Depositor Proxy Form).

In the case of a Shareholder whose Shares are entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289 of Singapore Statutes), the Company may reject any Depositor Proxy Form lodged if such Shareholder, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Shareholders who hold their Shares through a Relevant Intermediary (as defined in Section 181 of the Companies Act (Chapter 50 if Singapore Statutes)) (including CPFIS members or SRS investors) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective Relevant Intermediaries (including their CPF agent banks or SRS approved banks) to submit their voting instructions at least seven (7) working days prior to the date of the AGM.

4. All documents relating to the business of the AGM will be published on SGXNet and the Company's website at URL http://www.sunpower.com.cn/.

Personal data privacy

By pre-registering for the Webcast and/or the Audio Link, submitting an a Depositor Proxy Form and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, you consent to the collection, use and disclosure of the your personal data by the Company (or its agents or service providers) for the purpose of (i) administering the Webcast and the Audio Link (including, but not limited to, verifying your identity and shareholding status, registering an account for you to access the Webcast and/or the Audio Link, facilitating and administering the Webcast and Audio Link and disclosing your personal data to the Company's agents or third-party service provider for any such purposes), (ii) the processing of any questions submitted to the Company, (iii) the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and (iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Ma Ming, Mr Lau Ping Sum Pearce and Mr Li Lei are the Directors seeking re-election ("**Retiring Directors**") at the forthcoming annual general meeting of the Company to be convened on 24 June 2020.

Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Name of Director	Ma Ming	Lau Ping Sum Pearce	Li Lei
Date of Appointment	12 May 2004	2 February 2005	3 March 2017
Date of last re-appointment	26 April 2018	26 April 2018	26 April 2017
Age	55	80	39
Country of principal residence	China	Singapore	Hong Kong SAR, China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Ma Ming as the Executive Director was recommended by the Nominating Committee and the Board of Directors has accepted the recommendation, after taking into consideration Mr Ma Ming's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Lau Ping Sum Pearce as the Independent Director was recommended by the Nominating Committee and the Board of Directors has accepted the recommendation, after taking into consideration Mr Lau Ping Sum Pearce's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Li Lei as the Independent Director was recommended by the Nominating Committee and the Board of Directors has accepted the recommendation, after taking into consideration Mr Li Lei's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive, Mr Ma Ming is responsible for the management of the financial affairs and external investment of the Group.	Non-Executive	Non-Executive and Non-Independent
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	RC Chairman, AC member and NC member	RC member and NC member
Professional qualifications	Master Degree in Engineering Management	Bachelor Degree in economics Diploma in Business Administration	Bachelor Degrees in Law and Economics Master Degree in Law

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Ma Ming	Lau Ping Sum Pearce	Li Lei
Working experience and occupation(s) during the past 10 years	2004 – Present: Executive Director, Sunpower Group Ltd. 2008 – 2015: General Manager, Jiangsu Sunpower Technology Co., Ltd. 2008 – 2015: General Manager, Jiangsu Sunpower Machinery Manufacture Co., Ltd. 2014 – 2015: General Manager, Sunpower Technology (Jiangsu) Co., Ltd.	2001 – 2012: Executive Director, People's Action Party/PAP Community Foundation 1997 – Present: Independent Director, Huan Hsin Holdings Ltd. (Listed on Singapore Exchange) 2002 – Present: Independent Director, Cortina Holdings Limited (Listed on Singapore Exchange) 2005 – Present: Member, Singapore Institute of Directors 2008 – Present: Member, Programme Advisory Committee for BA Translation and Interpretation 2008 – Present: Examiner, Certification Examination for Professional Interpreters, School of Arts and Social Sciences, Singapore University of Social Sciences 2019 – Present: Independent Director, Chairman of the Board, P5 Capital Holdings Ltd. (Listed on Singapore Exchange)	September 2007 – June 2011: Vice President, Beijing Dinghui Venture Investment Advisory Co., Ltd. July 2011 – December 2015: Executive Director, Dinghui Equity Investment Management (Tianjin) Co., Ltd. January 2016 – Present: Managing Director, CDH Investments Management (Hong Kong) Limited
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest – 137,509,737 ordinary shares	Nil	Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Ma Ming	Lau Ping Sum Pearce	Li Lei
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of interest (including any competing business)	None	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)			
Past (for the last 5 years)	2004 – Present: Executive Director, Sunpower Group Ltd. 2008 – 2015: General Manager, Jiangsu Sunpower Technology Co., Ltd. 2008 – 2015: General Manager, Jiangsu Sunpower Machinery Manufacture Co., Ltd. 2014 – 2015: General Manager, Sunpower Technology (Jiangsu) Co., Ltd.	1997 – Present: Independent Director, Huan Hsin Holdings Ltd. (Listed on Singapore Exchange) 2002 – Present: Independent Director, Cortina Holdings Limited (Listed on Singapore Exchange) 2005 – Present: Member, Singapore Institute of Directors 2008 – Present: Member, Programme Advisory Committee for BA Translation and Interpretation 2008 – Present: Examiner, Certification Examination for Professional Interpreters, School of Arts and Social Sciences, Singapore University of Social Sciences	July 2011 – December 2015: Executive Director, Dinghui Equity Investment Management (Tianjin) Co., Ltd.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Ma Ming	Lau Ping Sum Pearce	Li Lei
Present	2004 – Present: Executive Director, Sunpower Group Ltd.	1997 – Present: Independent Director, Huan Hsin Holdings Ltd. (Listed on Singapore Exchange) 2002 – Present: Independent Director, Cortina Holdings Limited (Listed on Singapore Exchange) 2005 – Present: Member, Singapore Institute of Directors 2008 – Present: Member, Programme Advisory Committee for BA Translation and Interpretation 2008 – Present: Examiner, Certification Examination for Professional Interpreters, School of Arts and Social Sciences, Singapore University of Social Sciences 2019 – Present: Independent Director, Chairman of the Board, P5 Capital Holdings Ltd. (Listed on Singapore Exchange)	January 2016 – Present: Managing Director, CDH Investments Management (Hong Kong) Limited

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Ma Ming	Lau Ping Sum Pearce	Li Lei
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Ma Ming	Lau Ping Sum Pearce	Li Lei
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Ma Ming	Lau Ping Sum Pearce	Li Lei
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising ring that period when he was so concerned with the entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Ma Ming	Lau Ping Sum Pearce	Li Lei
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only			
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable. This relates to the re-appointment of Director.	Not applicable. This relates to the re-appointment of Director.	Not applicable. This relates to the re-appointment of Director.

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SUNPOWER GROUP LTD.

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ANNUAL REPORT 2019

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