中聖集團
SUNPOWER GROUP
SGX Stock Code: 5GD.SI

BE the Solution

NOT the Pollution

ANNUAL REPORT 2018

CONTENTS

CORPORATE PROFILE

Founded in 1997 and listed on the Singapore Stock Exchange ("SGX-ST") since 2005, Sunpower Group is an environmental protection solutions specialist with over 20 years of experience in providing environmental protection and energy-saving solutions.

The Group is energized by two main business segments, namely its value creator and growth driver, Green Investments ("GI") and its foundation business, Manufacturing & Services ("M&S").

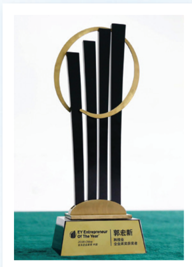
The GI segment, invests in, develops and operates centralized steam, heat and electricity generation plants. The Group is strongly positioned to capitalize on the enormous market opportunities in the environmental protection sector in China and build a valuable portfolio of assets that generates attractive investment returns, as well as recurring, long-term and high-quality income and cash flows based on typically 30-year concession agreements.

In the M&S segment, the Group engages in the businesses of high-end Environmental Protection Manufacturing and Services to provide a variety of customized products and solutions for diverse industries. Sunpower has served more than 1,500 companies in over 15 industries across 30 countries, of which 70% are repeat customers, including reputable multinational names such as BASF, BP, Shell, SABIC, DowDuPont, Alcoa, Bayer, Exxon Mobil, SINOPEC, CNPC, CNOOC and China Shenhua, etc.

KEY AWARDS & ACCREDITATIONS

The Deloitte Best Managed Companies award in China

Sunpower has been recognised as one of the Best Managed Companies (BMC) in China by Deloitte Touche Tohmatsu Limited ("Deloitte"), the largest of the "Big Four" accounting and audit firms in the world, in the first year that the award was introduced to China. The BMC award recognises Sunpower's excellence in overall business management and performance.



Ernst & Young Entrepreneur of the Year Award 2018™ China

Deloitte Technology Fast 500, Stellar Performance

China Renowned Trademark from the Trademark Office, State Administration for Industry & Commerce, PRC

National Quality Engineering Award (Gold) from China Association of Construction Enterprise Management

National Torch Plan High New Technology Enterprise from the Ministry of Science and Technology, PRC

Technology Innovation Achievement Award from China Association for Quality

2018 China Petrochemical Group Science and Technology Progress Award from China Petrochemical Corporation (2018, 2019)

2013 China's Top 10 Chemical Heat Transfer Equipment Enterprises

Flare gas recovery system designated as "2013 China's Key National Product"

2013 China's National Equipment Top Hundred Enterprises

VALUE CREATOR AND GROWTH DRIVER

GREEN INVESTMENTS (“GI”)

Sunpower has set out its medium-to-long term vision and strategy to create value for the Group and its shareholders. Going forward, the Group will focus on building a sizable portfolio of GI assets which generates long-term, recurring and high quality cashflows as its value creator and growth driver.

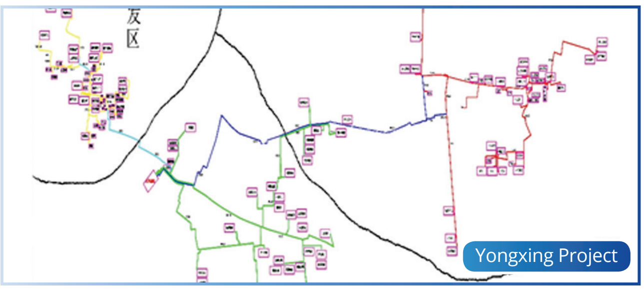
ENORMOUS BUSINESS OPPORTUNITIES IN CHINA’S ANTI-SMOG SECTOR

China’s moves to reduce air pollution through targeted policies that eliminate decentralised “dirty” coal-fired boilers (identified to be one of the biggest sources of smog) in favour of centralised environmentally-friendly solutions are gathering pace. This provides immediate and enormous growth opportunities for Sunpower’s GI business that invests in and operates centralised plants to supply steam, electricity and heating on an exclusive basis.

Sunpower’s GI business also sees long term growth potential from more factories being concentrated or relocated into industrial parks as ordered by the local governments, resulting in the expansion of such industrial parks, as well as the natural organic growth of these parks in the long term.

Sunpower is the exclusive supplier of steam to industrial customers within selected industrial parks where it holds typically 30 year concession agreements with the first right to renew such concessions.

GEOGRAPHIC COVERAGE



VALUE CREATOR AND GROWTH DRIVER

VALUABLE AND REALISABLE PORTFOLIO OF GI ASSETS

The Group has exercised strong discipline in project evaluation and has a proven track record in M&S which helps it to efficiently control the cost of construction. The Group's GI portfolio generates long term, recurring and stable cashflows.

With captive customers and steam being a non-discretionary input for its industrial customers, such cashflows are of high quality. The Group can even demand prepayment for its steam tariffs from most customers. Moreover, the cashflow generated by GI has strong growth potential as it is driven by immediate cross-over demand from the mandatory closure of small boilers in the short term, the increasing concentration of factories in industrial parks, and their natural expansion in the long term.

Sunpower GI business enjoys attractive double-digit project internal rate of return (IRR) and can be expected to deliver high net present value (NPV) of cashflows to the Group over the concession period that is significantly higher than the current EBITDA contribution.

UNIQUE COMPETITIVE EDGE OF GI BUSINESS

Proprietary energy-saving & long-distance distribution technology. Sunpower's energy-saving and long-distance distribution pipelines increase the geographical reach to more captive customers, allowing quicker economies of scale to be achieved. The minimal temperature and pressure loss also help to improve margins.

Experienced management with full interest alignment. Management is disciplined and experienced in project evaluation to minimise risk of cost overruns. The management collectively owns >40% shares of Sunpower[1].

Fully integrated capabilities. Sunpower's integrated business model, backed by its own design institute, in-house manufacturing and services solutions as well as proprietary technologies, synergistically boosts investment returns for GI.

Strong long-term capital support & shareholders base. Two of the most experienced and respected PE funds in China have invested US$180 million in convertible bonds (CB) in the Group, providing strong support for its long-term growth.

Robust pipeline with attractive projects. Sunpower's long-term growth potential is secure due to availability of attractive projects for the investment or acquisition. It currently has a robust pipeline of projects in different stages of evaluation with total value >RMB3.5 billion.

First mover advantage. With its established market reputation in anti-smog sector, proven track record, integrated technology and capital support, Sunpower is well positioned to enjoy first mover advantage in building up a sizable GI portfolio as its value creator and growth driver.

[1] Before CB conversion, including ESOP

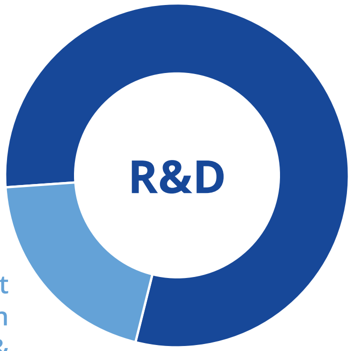
VALUE CREATOR AND GROWTH DRIVER

GI FORMS THE BULK OF INTRINSIC VALUE DESPITE EARLY STAGE OF DEVELOPMENT

The rapid expansion of the GI business has exceeded expectations, having already formed the bulk of the Group's intrinsic value despite being in the early stage of development. As at end-2018, Sunpower has 7 GI plants in operation, which include 3 acquired "brownfield" projects and 4 "greenfield" projects. In addition, the Group has another 5 projects under construction and/or in the design phase, as well as a robust pipeline of projects under evaluation.

GI saw a stronger-than-expected ramp-up in operations in 2018 and Sunpower has successfully grown into a company driven by long-term, recurring and high-quality income and cashflow, just 1.5 years after the issue of the first CB tranche.

GI FORMS THE BULK OF THE GROUP VALUE[1]



[1] Group value refers to the NPV of long-term cashflows generated by GI projects over their concession periods.

Sunpower is already planning well into the future to further its GI expansion strategy. It is on target to invest RMB2.5 billion of equity in GI assets by 2021 to build a sizeable portfolio that delivers long-term, recurring and high quality cashflows. As at end-2018, Sunpower has invested and committed RMB1.3 billion in equity.

GI INVESTMENTS TO-DATE

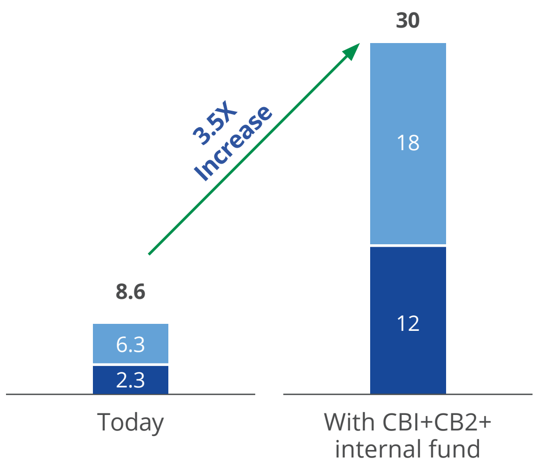
Status	Total Investments (RMB mm)[2]	SP Equity (RMB mm)
In Operation	2,183.0	922.9
Under Construction	1,590.0	418.1
Amount Invested and Committed	3,781.0	1,341.0
To be Constructed[3]	653.0	220.4
Pipeline[4]	2,356.1	942.4
Total	6,782.1	2,503.8

Notes: based on current estimates or forecast
[2] Assuming ~40% equity/60% debt.
[3] Projects have been signed and are currently in the design phase.
[4] Including a couple of projects in the late stage of evaluation.

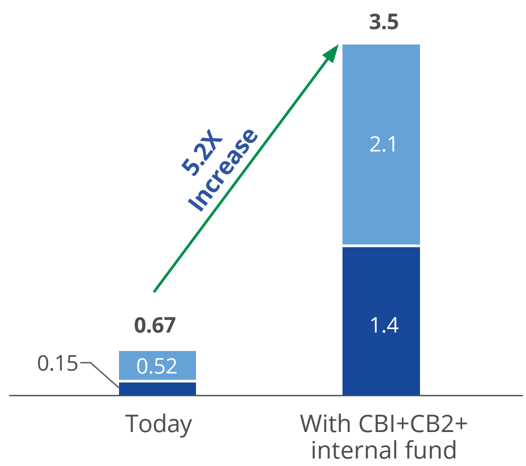
VALUE CREATOR AND GROWTH DRIVER

In terms of capacity, Sunpower targets to grow its current gross annualized steam capacity of 8.6 million tons by 3.5 times to 30 million tons and current gross annualized electricity generation capacity by over 5 times to 3.5 million megawatt hours. This expansion will be funded by capital from both CB tranches and complemented by internal funds.

GROSS ANNUALIZED STEAM CAPACITY (million tons)



GROSS ANNUALIZED ELECTRICITY CAPACITY (million MWH)



Annualized active production capacity   Annualized backup capacity*

**Steam backup capacity is to ensure constant steam supply to customers. May be used for steam supply as and when required.*

PROJECTS IN OPERATION

Projects	Location	Stake(%)	Designed Capacity
1. Changrun Project (Phase 1)	Gaoyang Circular Economy Industrial Park, Hebei Province	100%	2×220 tons/hour (t/h) + 2×25MW
2. Xinyuan Plant	Qingdao City, Shandong Province	85%	3×75t/h + 2×6MW 1×220t/h + 1×25MW
3. Lianshui Project	Lianshui Economic Development Zone, Jiangsu Province	95%	2×40 t/h

VALUE CREATOR AND GROWTH DRIVER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Projects	Location	Stake(%)	Designed Capacity
4. Quanjiao Project	Quanjiao Economic Development Zone, Anhui Province	100%	1×40 t/h
5. Yongxing Plant	Zhangjiagang City, Jiangsu Province	100%	2×100t/h + 1×150t/h + 2×18MW
6. Jining Project	Jining City, Shandong Province	49%	n/a
7. Xintai Zhengda (Existing plant)[1]	Xintai City, Shandong Province	79.2%	n/a

PROJECTS UNDER CONSTRUCTION

Projects	Location	Stake(%)	Designed Capacity
Shantou Project – phase 1	Shantou City, Guangdong Province	51%	3×150t/h + 2×20MW
Xintai Zhengda Project (New facility)[1]	Xintai City, Shandong Province	79.2%	3×130t/h + 1×35MW + 1×18MW

PROJECTS TO BE CONSTRUCTED[2]

Projects	Location	Stake(%)	Designed Capacity
Liutuan Project – phase 1	Changyi City, Shandong Province	100%	2×2400Wkcal 2×2000Wkcal
Xinjiang Project – phase 1	Xinjiang Circular Economy Demonstration Park, Shanxi Province	100%	n/a
Yingtan Project – phase 1	Yingtan City, Jiangxi Province	100%	n/a

Notes: based on current estimates or forecast
[1] Existing plant still in operation and will remain operational until the commissioning of the new facilities.
[2] Projects are signed and in design phases.

STABLE AND GROWING FOUNDATION BUSINESS

>20 YEARS OF PROVEN TRACK RECORD

MANUFACTURING & SERVICES (M&S)

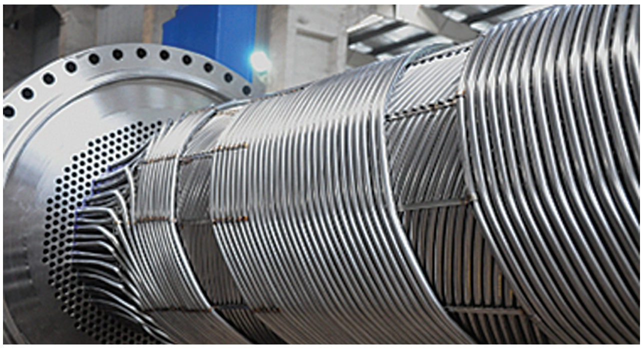
Key Products

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

As a specialist in the R&D, design and manufacture of customised energy saving and environmental protection products with proprietary heat transfer technologies, the Group's key products include high efficiency heat exchangers and pressure vessels, and pipeline energy saving products as well as Heat Pipe and Heat Pipe Exchangers.

High Efficiency Heat Exchangers and Pressure Vessels 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 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 and Liquefied Natural Gas (LNG), pharmaceutical, coal-based chemical, mining and oil sand industries etc.

The heat transfer rate of Sunpower's **Heat Pipes and Heat Pipe Exchangers** is 3,000 times faster than that of conventional products. They are mainly used in petrochemical, steel and chemical industries. The 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, the Group's heat pipes were utilized in various large-scale projects including the Qinghai-Tibet Railway, Gonghe-Yushu (Jiegu) Highway and the Sino-Russian oil pipeline.

STABLE AND GROWING FOUNDATION BUSINESS

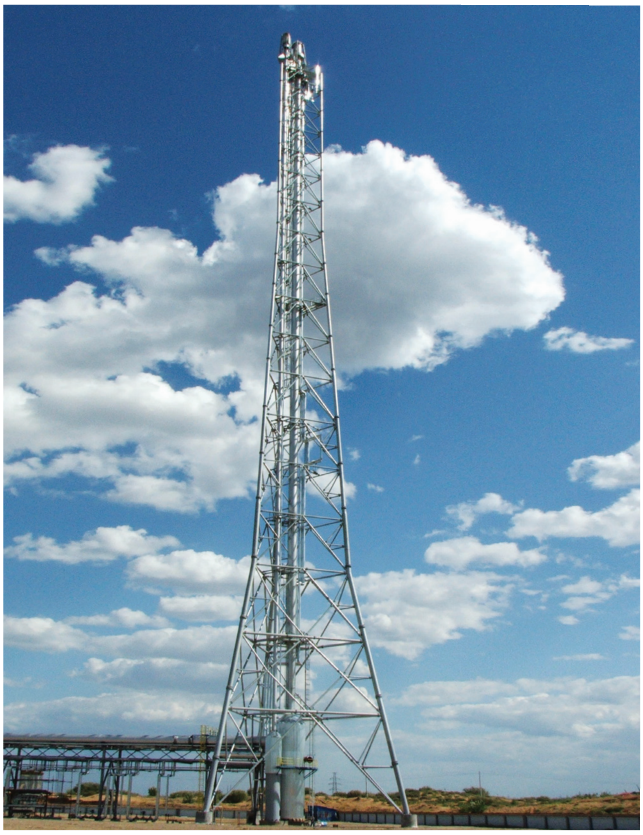
>20 YEARS OF PROVEN TRACK RECORD

Key Products and solutions

- Flare and Flare Gas Recovery System
- Desulphurization and Denitrification System
- Zero Liquid Discharge (ZLD) System for High Salinity Wastewater
- Petrochemical Engineering
- Energy Saving System

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

Sunpower also provides comprehensive **Desulphurisation and Denitrification** solutions in the smog governance sector for customers to meet stringent emission standards set by the China government. In relation to this, Sunpower has developed various denitrification technologies including Low Nitrogen Combustion Technology, Selective Non-catalytic Reduction Technology (SNCR) and Selective Catalytic Reduction Technology (SCR) as well as a suite of desulphurization technologies which include ammonia desulphurization, active coke desulphurization and sodium bicarbonate dry desulphurization to treat flue gas in boilers, metallurgical sintering machines and coke ovens respectively.

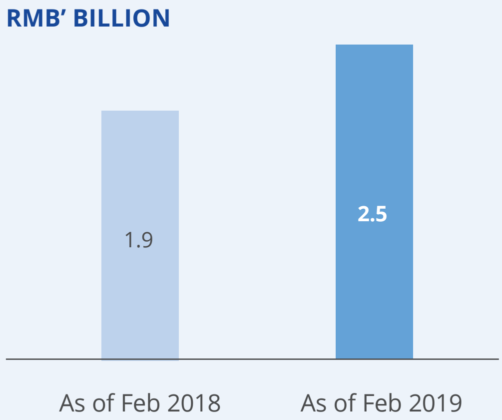


Sunpower's **Zero Liquid Discharge System (ZLD) for High Salinity Wastewater** is another technological innovation that is used to recycle water and recover salt from wastewater with high salinity and catalyst concentration. This system integrates the technologies of selective salt recovery and ZLD based 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.

Sunpower's **Petrochemical Engineering** primarily includes providing solutions of sulphur recovery, skid-mounted equipment and formaldehyde devices. In the sector of **Energy Saving System**, Sunpower mainly offers solutions of waste heat recovery and pipeline energy saving engineering.

In addition, Sunpower's Shandong Yangguang Engineering Design Institute Co., Ltd. ("**Yangguang Institute**") provides design, consultancy and technology services to the thermal power, construction materials, architecture, municipal engineering and other industries. Yangguang Institute has a strong track record of nearly 1,000 projects completed in China and 57 projects completed in 10 countries abroad.

STABLE AND GROWING FOUNDATION BUSINESS
>20 YEARS OF PROVEN TRACK RECORD



STRONG ORDER BOOK

As at February 2019, the Group has an order book valued at RMB2.5 billion, up from RMB1.9 billion in February 2018.

GLOBAL FOOTPRINT

~1,500 CUSTOMERS

IN 15 INDUSTRIES

OVER 30 COUNTRIES

RELIABLE AND ADAPTABLE SYNERGISTIC BUSINESS MODEL

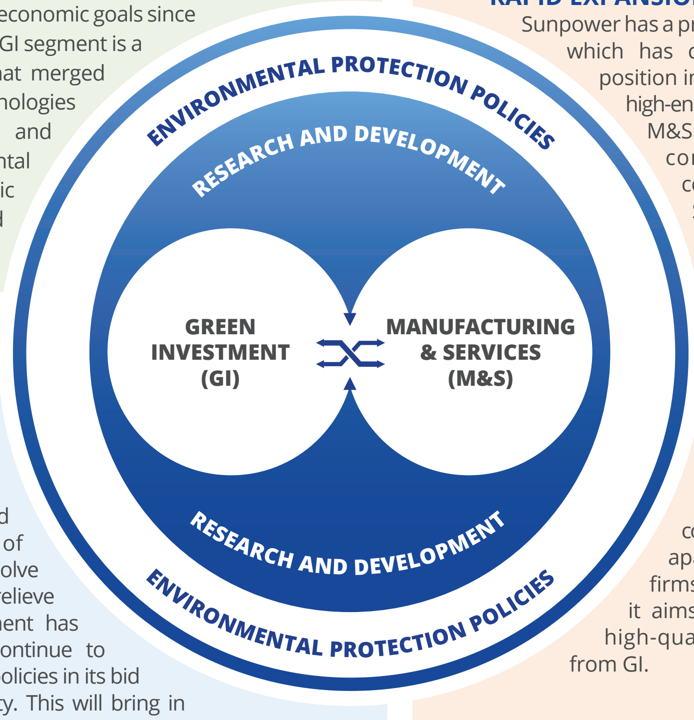
SUNPOWER'S EXPANSION INTO GREEN INVESTMENTS (GI) IS A NATURAL STRATEGY

Sunpower's M&S business has helped global clients to achieve their environmental and economic goals since its founding in 1997. Sunpower's GI segment is a natural expansion from M&S that merged its advanced proprietary technologies and management expertise and experience in the environmental protection field into a synergistic business model that is structured to maximise returns.

MANUFACTURING & SERVICES (M&S) SUPPORTS THE SUSTAINABLE AND RAPID EXPANSION OF GI

Sunpower has a proven track record in M&S which has consolidated its top-tier position in providing environmental high-end equipment and services. M&S helps it to efficiently control the cost of construction and enables Sunpower to eliminate construction delays with the quality service and equipment.

M&S and GI complement each other and enable synergies that improve overall performance and raise competitive edge. The unique combination of these integrated competencies sets Sunpower apart from less-integrated firms and will serve it well as it aims to build up long-term, high-quality, recurring income from GI.



ENVIRONMENTAL PROTECTION POLICIES DRIVE THE MOMENTUM OF MARKET OPPORTUNITIES

As a result of heightened environmental consciousness of the Chinese government to resolve pollution-related issues and relieve severe smog, the PRC government has imposed and is expected to continue to impose stringent environmental policies in its bid to improve the nation's air quality. This will bring in enormous market opportunities to Sunpower and also drive the long-term growth prospects of the anti-smog services sector that Sunpower's GI business is targeting.

THE RELATED ENVIRONMENTAL PROTECTION POLICIES THAT BENEFIT SUNPOWER:

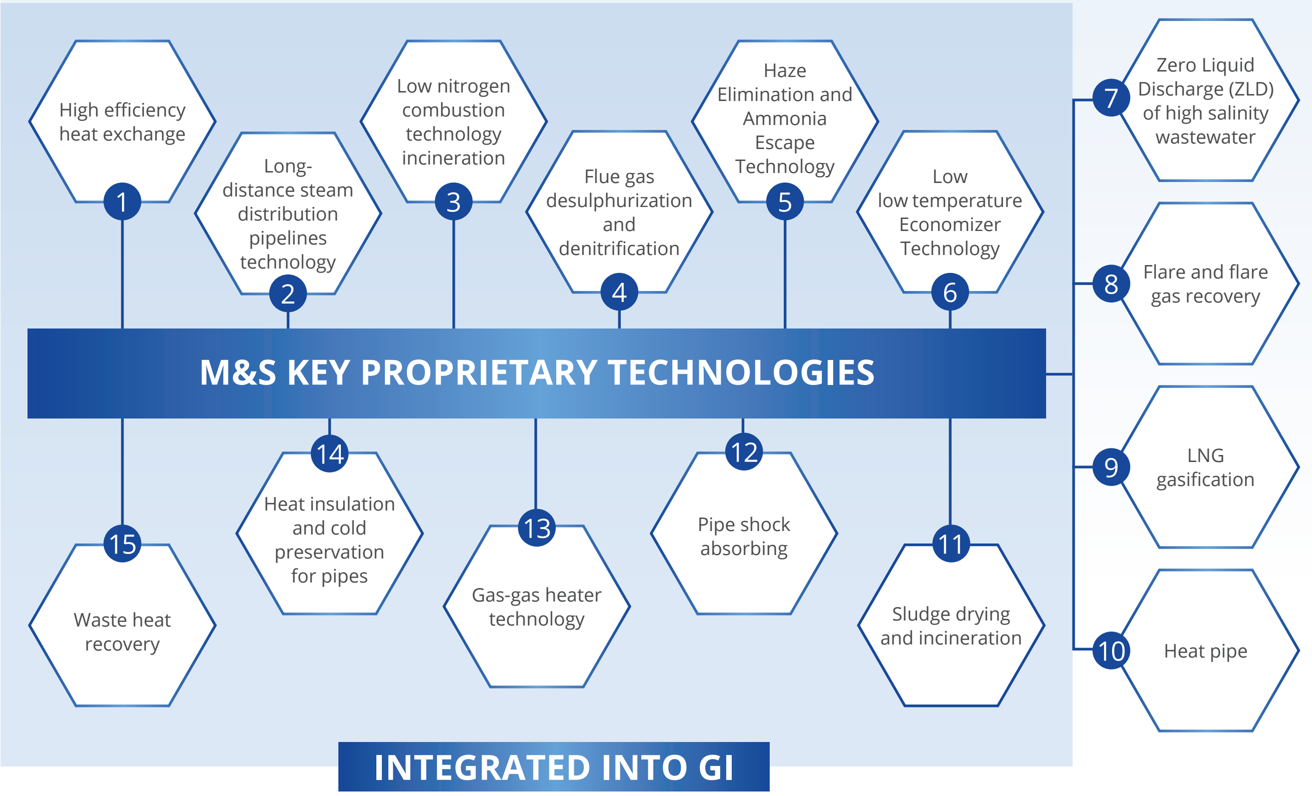
- **Air Pollution Prevention Action Plan**
  《大气污染防治行动计划》，国务院，国发[2013]37号
- **Implementation of Coal Fired Boiler's Energy Saving and Environmental Protection Scheme**
  《燃煤锅炉节能环保方案的实施》，国家发改委、环保部及其他部门，发改环资[2014]2451号
- **Clean and Efficient Use of Coal Action Plan (2015-2020)**
  《煤炭清洁高效利用行动计划（2015-2020年）》，国家能源局，国能煤炭[2015]141号
- **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 Retrofitting of Coal-fired Power Plants to Achieve Ultra-low Emission and Energy Conservation** 《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》
- **20 Amendments to National Standards for Pollutant Discharge**
  《关于征求20项国家污染物排放标准修改单（征求意见稿）意见的函》，环办大气函[2017]924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
- **Three-year Action Plan for Winning the Blue Sky War**
  《打赢蓝天保卫战三年行动计划（2018-2020年）（国发〔2018〕22号）》

BEST MANAGED COMPANIES

CUTTING-EDGE PROPRIETARY TECHNOLOGIES

Sunpower has developed a full range of advanced technologies and has also led and participated in drafting five national standards that have become the benchmark for the rest of the industry. Its technologies and knowhow now form an integral part of its products and services in the M&S segment that provides synergistic support for the rapidly growing GI segment, giving the Group an unrivalled competitive advantage.

146	56	5	416
Patents	Invention Patents	National Standards Sunpower Led and Participated in Drafting	Reseachers and Design Engineers

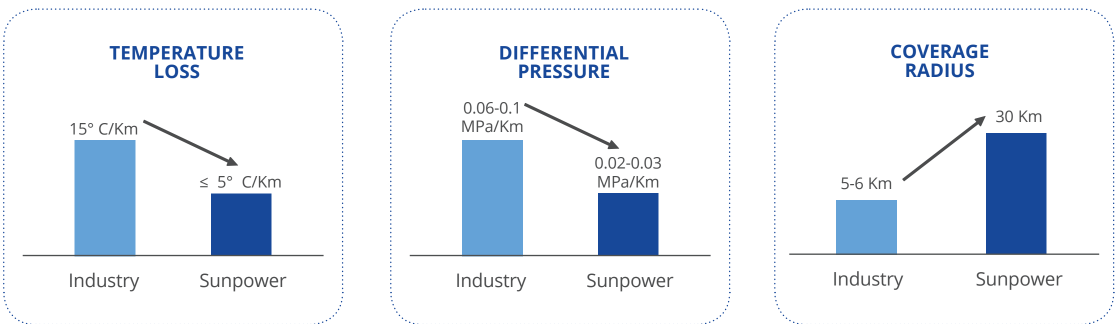


SUNPOWER'S KEY PROPRIETARY TECHNOLOGIES ADOPTED IN THE GI SEGMENT

LONG DISTANCE STEAM DISTRIBUTION PIPELINES TECHNOLOGY

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

SUNPOWER'S TECHNOLOGICAL ADVANTAGE



CUTTING-EDGE PROPRIETARY TECHNOLOGIES

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 fertilizer.

Haze Elimination and Ammonia Escape Technology - eliminates dust, aerosol and white smoke.

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

Notes:

1. Key Area refers to Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta of China
2. The standard applies to coal-fired power generating boilers with a unit capacity of 65 tonnes/hour (t/h) or below.

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 utilization 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 as well as reduces water consumption

REFORM AND UPGRADE TECHNOLOGY

Ability to reform and upgrade acquired plants to improve operational efficiency.

STRATEGIC INSTITUTIONAL INVESTORS - DCP AND CDH

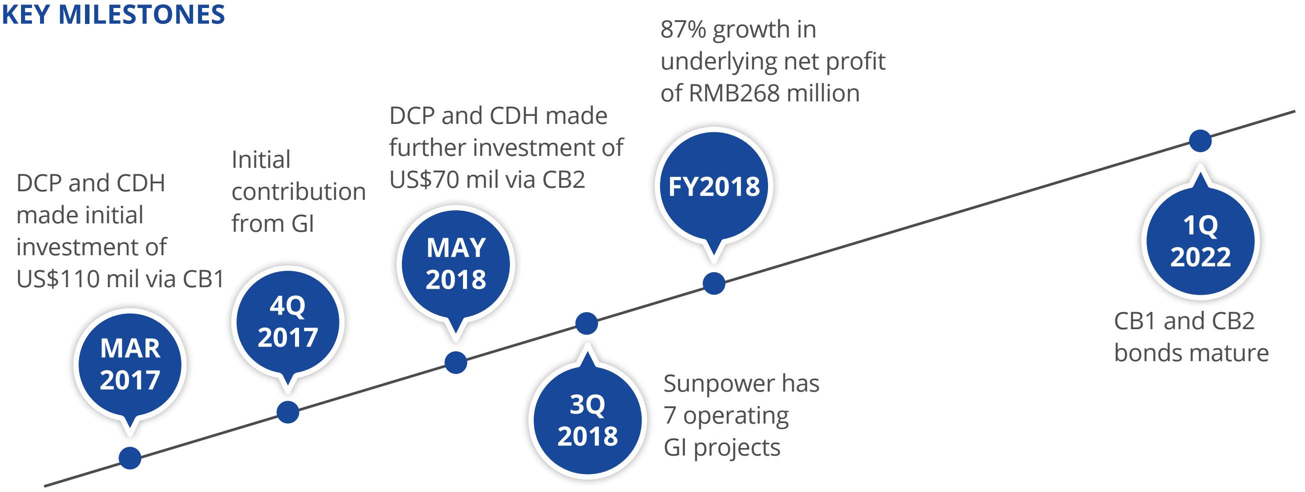
DCP 德弘資本 CDH 鼎晖投资

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 S$0.80 if exercised in 2020.

DCP and CDH are among the most experienced and respected Chinese PE 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 and their 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 vision and strategy that Sunpower's management has for the GI business, 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 acknowledge that Sunpower has the technical expertise, the proven capability, and the know-how to achieve improved growth in earnings and cashflow as contributions from the GI business increase.

KEY MILESTONES



SELECTED INVESTMENTS BY DCP AND CDH TEAMS

- **Belle International (百丽鞋业)** – China's Leading Women Shoes Retailer
- **Mengniu Dairy (蒙牛乳业)** – China's Leading Dairy Company
- **Nanfu Battery (南孚电池)** – China's Leading Alkaline Battery Producer
- **Qingdao Haier (青岛海尔)** – Global Leader in Home Appliances
- **Hengan International (恒安集团)** – China's Largest Napkin and Diaper Producer
- **Ping An Insurance (平安保险)** – China's Leading Insurance Provider
- **Modern Dairy (现代牧业)** – China's Leading Dairy Company
- **WH Group (万州国际)** – Global Leader in Meat Processing
- **Greenland Group (绿地集团)** – China's Leading Real Estate Conglomerate
- **Midea Group (美的集团)** – Global Leader in Home Appliances
- **CICC (中国国际金融有限公司)** – China's Leading Investment Bank
- **Focus Media (分众传媒)** – China's Largest Out-of-home Advertising Network
- **COFCO Meat (中粮肉食)** – China's Leading Meating Processing Company
- **Uxin (优信拍)** – China's Leading Online Used-car Platform

Source: DCP and CDH, as of Mar 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.

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors (the "Board"), it is my pleasure to present you our annual report for FY2018. 2018 was a year of rapid growth for Sunpower. Driven by GI's stronger-than-expected expansion, the Group achieved record growth in top and bottom line: revenue rose 66.0% YoY to a record RMB3,262.9 million, and EBITDA grew by 113.5% YoY to RMB496.0 million, resulting in underlying net profit increasing 87.1% YoY to RMB267.8 million. Underlying operating cash flow was RMB224.6 million, 2.6x higher than 2017.

In 2018, China's year-on-year GDP growth reached 6.6%, compared with 6.8 percent in 2017. Efforts to curb air pollution remained a top priority and China's State Council released the new 2018-2020 Three-year Action Plan for Winning the Blue Sky War that covers more cities than before. The Ministry of Ecology and Environment also stated that it will crack down on officials in regions that miss air quality targets. Such top-level official backing will boost the long-term growth prospects of China's environmental protection industry, particularly the anti-smog services sector that Sunpower is targeting.

GI'S ABOVE-EXPECTATIONS GROWTH HAS ENHANCED SUNPOWER INTO A LONG-TERM, RECURRING, HIGH-QUALITY INCOME AND CASHFLOW COMPANY.

In 2016, GI was strategically earmarked as our value creator and growth driver as we sought to take full advantage of the enormous opportunities brought about by tough environmental policies targeted at cleaning up the air. Since then, we have focused on sustainably building up a sizeable and valuable GI portfolio that generates long-term, recurring and high quality income and cash flows supported by typically 30-year concession agreements. As at 2018, we have successfully established a portfolio of 7 GI projects in operation and have another 5 projects either under construction or in the design phase.

Our success is also evident in GI's excellent financial performance in 2018. Although it is in the early stage of development and still ramping up, GI revenue and EBITDA totalled RMB736.8 million and RMB276.3 million respectively, up 384.4% and 303.7% YoY, and accounted for 22.6% and 55.7% of the Group's revenue and EBITDA, respectively. GI projects recorded operating cash flows of RMB211.7 million in FY2018, benefiting from strong tariff collection due to the ability to require prepayments from customers. Our GI strategy has successfully driven Sunpower into a long-term, recurring, high-quality income and cashflow company.

However, this is only the beginning. GI has enormous potential to grow further as demand is structurally driven by the mandatory closure of small "dirty" boilers, customers' organic growth and continued relocation of new companies into industrial parks. We are well placed to realize this potential. To-date, Sunpower has invested and committed a total of RMB 1.3 billion of equity in existing GI projects and is on track to invest a total of RMB 2.5 billion in equity by 2021. Our GI projects enjoy attractive double-digit internal rate of return (IRR) and the net present value (NPV) of long-term GI cash flows is expected to considerably exceed the current contributions.

STABLE AND GROWING M&S SEGMENT WITH PROVEN TRACK RECORD

Our M&S segment also achieved record revenue of RMB2.5 billion in 2018, up 39% YoY, with margins and positive cashflow sustained despite the mixed macroeconomic environment. Orders on hand amounted to RMB2.5 billion in February 2019, up from RMB1.9 billion in February 2018. Sunpower has a proven track record spanning over 22 years in delivering quality products to approximately 1,500 customers in over 15 industries across 30 countries. With its established market reputation and leadership in the industry, 70% of Sunpower's customers are repeat customers. Our reputable customers comprise notable global names that include BASF, BP, Shell, CNOOC, CNPC and SINOPEC, among others.

In addition, our M&S segment also supports the rapid and sustainable expansion of GI as a foundation business with its proprietary integrated technologies, project management expertise and decades of experience, creating a synergistic business model that is structured to maximise returns for the Group.

CONFERRED PRESTIGIOUS AWARDS AND ACCREDITATIONS

We are delighted to win Deloitte's 2019 Best Managed Companies ("BMC") award in the very first year it was introduced to China. This award recognises our excellence in overall business management and business performance, and is a strong endorsement of Sunpower's leading position in the environmental protection space. Sunpower has also been granted a series of accreditations and awards from SINOPEC and other customers due to our professional solutions and quality products. In addition, I was conferred the Ernst & Young Entrepreneur of the Year Award 2018™ China in the Technology Category in 2018.

DCP AND CDH ARE STRATEGIC INSTITUTIONAL INVESTORS

In 2018, our two strategic investors - DCP Capital Partners (DCP) and CDH Investments (CDH) invested a further US$70 million in our company through a second tranche of Convertible Bonds to support our continued expansion in GI. In addition, Sunpower completed the issue of US$ 30 million in warrants to DCP and CDH, which are among the most experienced and respected Chinese PE investors. We appreciate their continued commitment and confidence in the long-term growth potential of Sunpower.

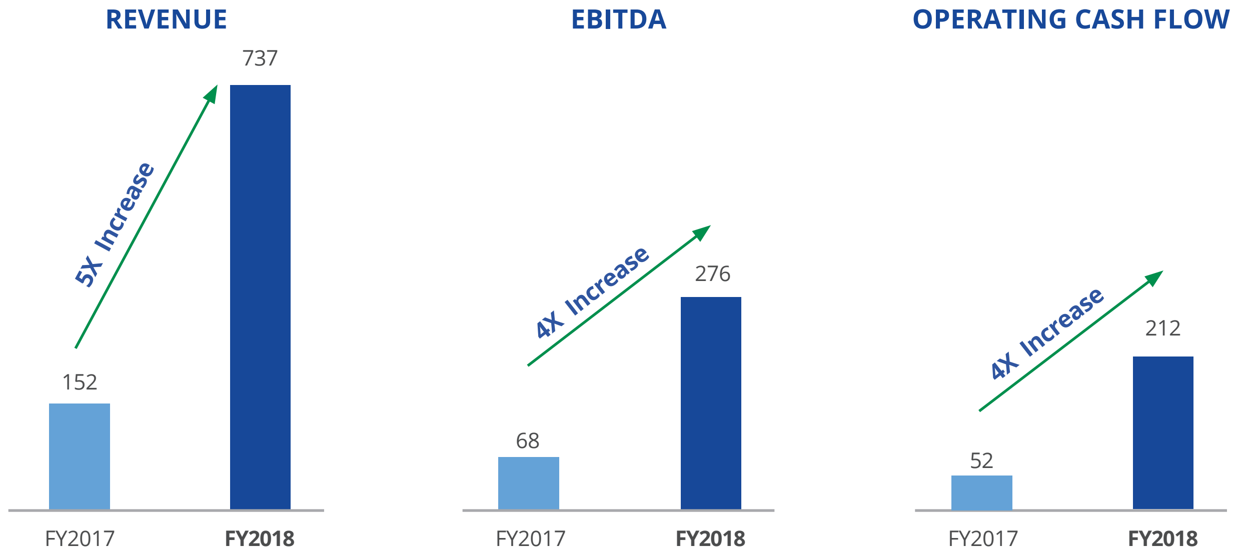
APPRECIATION AND DIVIDEND

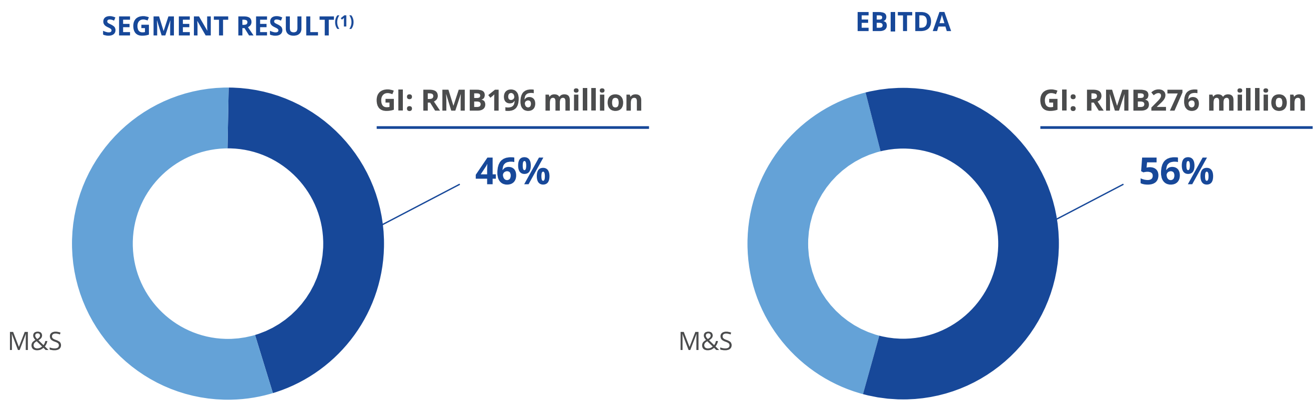
On behalf of the board, I would like to thank our shareholders, customers, and business partners for your continued trust and support. To show our appreciation to our loyal shareholders, the board has proposed a first and final dividend of S$0.0019 per share for FY2018, up from S$0.0012 per share the year before. This is the 9th consecutive year that we have declared and pay dividends.

GUO HONGXIN
Executive Chairman

GI'S GROWTH ACCELERATED IN 2018

(RMB' MILLION)





GI revenue grew 384.4% YoY to RMB736.8 million, accounting for 22.6% of group revenue and 45.1% of the total YoY revenue increase.

GI segment results[1] grew 319.0% YoY to RMB196.0 million, accounting for 45.6% of the Group total. Sunpower has achieved its target of ~50% of recurring income from GI ahead of schedule.

GI EBITDA of RMB276.3 million accounted for the bulk of group EBITDA at 55.7%.

Despite still in the early stage of development, operating cashflow generated by GI projects surged to RMB211.7 million. Organic growth in cashflow will also be a funding source for further GI expansion in the future.

GI projects are still ramping up. Sunpower has achieved initial success and is well-positioned for growth in the next phase, which is to further ramp up existing GI operations and look to secure more earnings accretive projects.

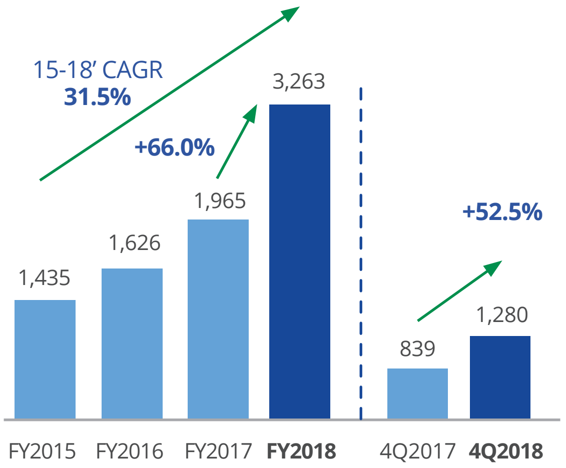
The long-term Net Present Value ("NPV") of future cashflows generated by the Group's GI business is expected to be substantially higher than the current EBITDA contribution.

[1] Refer to Note 42 on Segment Information in this Annual Report for details.

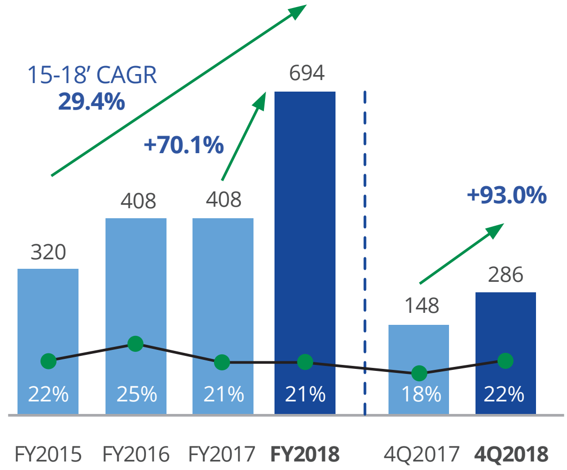
FINANCIAL HIGHLIGHTS

(RMB'MILLION)

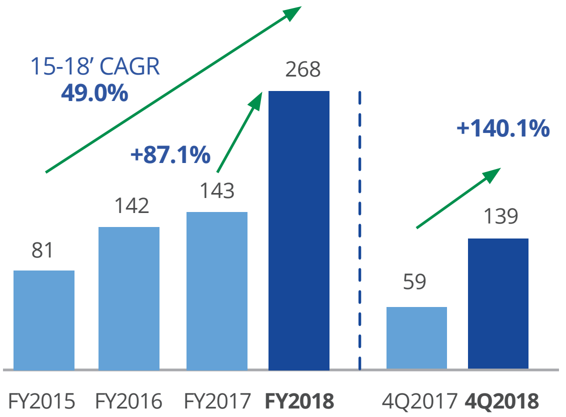
REVENUE



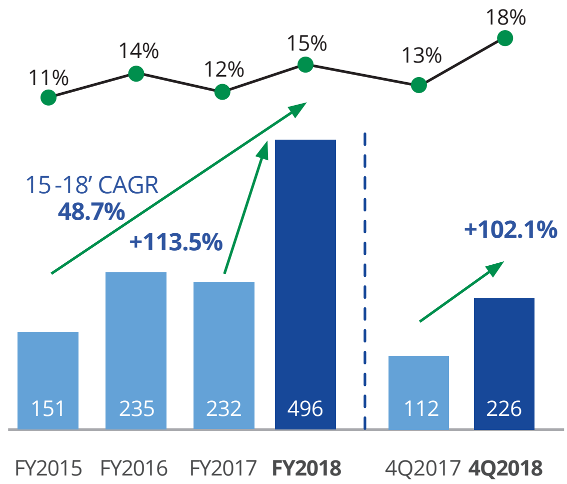
GROSS PROFIT & GROSS MARGIN



UNDERLYING NET PROFIT[1]



EBITDA



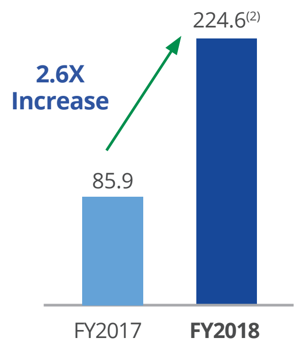
Driven by the rapid ramp-up of GI, the Group achieved record growth in top and bottom line in FY2018.

M&S achieved record revenue of RMB2.5 billion, up 39% YoY, with margins and positive cashflow maintained.

Although still in the early stage of development, GI has already contributed significantly to the 2.6x increase in underlying operating cashflow from FY2017.

Quality of the Group's earnings and cashflow has been significantly enhanced by GI's growing contributions and Sunpower has grown into a long-term, recurring, high-quality income and cashflow company.

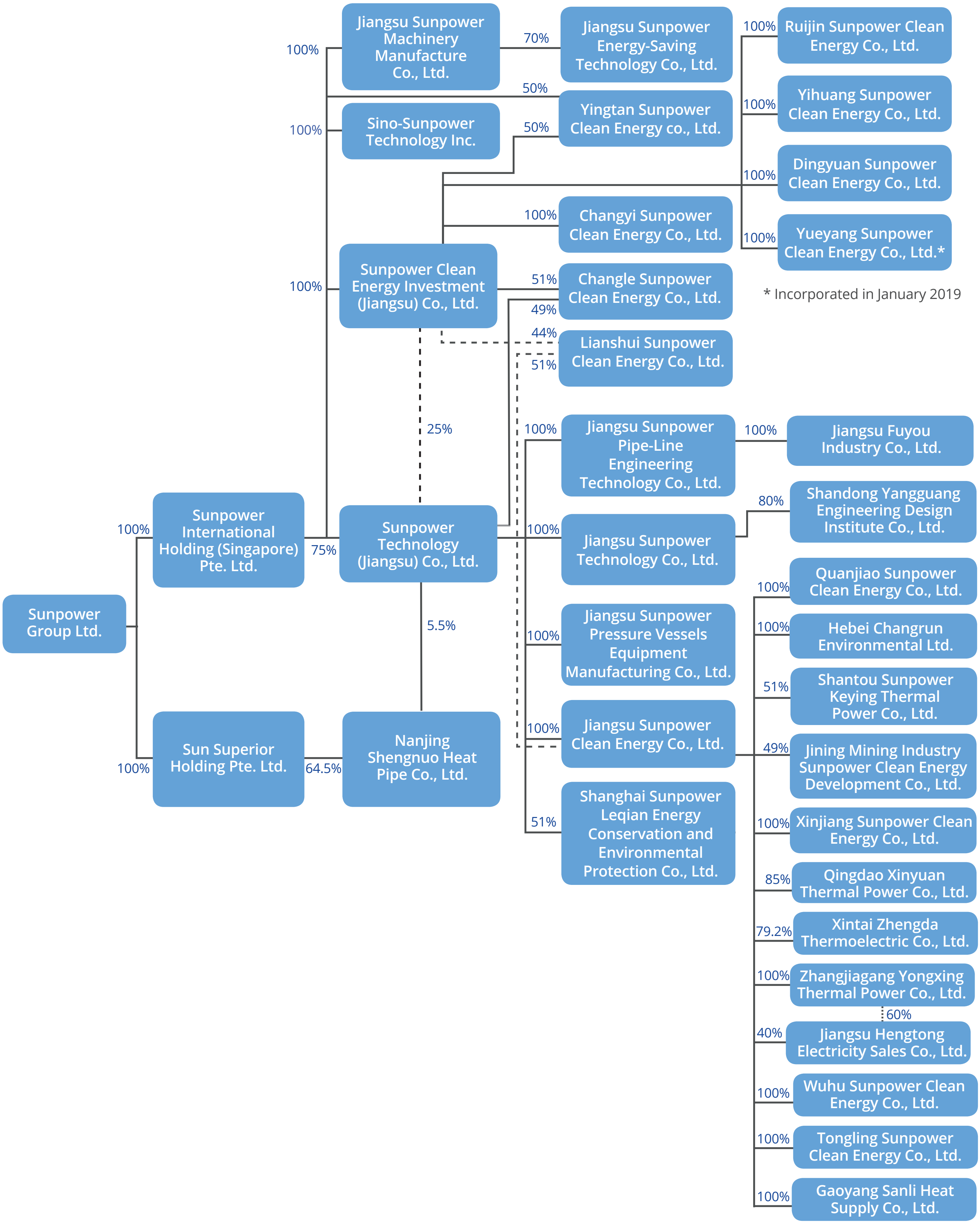
UNDERLYING OPERATING CASH FLOW



(1) Underlying net profit is the true operating performance of the Group, after adjusting net profit attributable to shareholders (including effects of CB) for amortised interest expenses and fair value gains or losses associated with the Convertible Bonds (CB) issued in 2017, as well as foreign exchange gains or losses.

(2) Underlying operating cash fllow, excluding CB interest of RMB17.4 million.

CORPORATE STRUCTURE



BOARD OF DIRECTORS

MR. GUO HONG XIN
FOUNDER, EXECUTIVE CHAIRMAN, CHIEF EXECUTIVE OFFICER

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 honors over the past decades. 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 recognized 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 the Team Leader of the National Standardization 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. Most recently, he won the Ernst & Young Entrepreneur of the Year Award 2018™ China.

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. Before Mr. Ma co-founded Sunpower, 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.

BOARD OF DIRECTORS

MR. JIANG NING
LEAD INDEPENDENT DIRECTOR

Mr. Jiang was appointed as an Independent Non-Executive Director in February 2005 and was last re-elected on 26 April 2017. He was appointed as Lead Independent Director of the Group in February 2014. Since 1992, Mr. Jiang has held various positions including Vice Dean of the Yangtze Delta Economic Social Development Research Centre, Dean of Investment and Finance Research Centre at Nanjing University, as well as lecturer, associate professor or professor. Mr. Jiang also serves as an independent director of Suzhou Dongshan Precision Manufacturing Co., Ltd., and Jiangsu Phoenix Property Investment Company Limited. Mr. Jiang graduated from Anhui Normal University in 1982 and received his Master of Economics in 1992 from Nanjing University.

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.

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 legacy 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 with another partner.

Mr. Chin holds a Bachelor of Arts (Honours) degree in Accounting and Finance from Lancaster University in the United Kingdom and is a Fellow (practising) Chartered Accountant 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 a member of the Singapore Institute of Directors.

Mr. Chin also serves as Independent Director mainly in the capacity as Audit Committee Chairman to three other companies listed on the Singapore Exchange. He was recently elected as a member of the PKF International Asia Pacific Board effective from 1 January 2019 and was formerly a council member of ISCA, and the Chairman of the Public Accounting Practice Committee of ISCA. He continues to be the Senior QA Advisor for the Quality Assurance Review Programme of ISCA.

MR. YANG ZHENG
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 is a PRC Certified Public Accountant (CPA), a senior member of the Chinese Institute of Certified Public Accountants (CICPA), a member of the Accounting Society of China (ASC), and a member of the National Audit Information and Standardization Technical Committee. Mr. Yang has been an accounting teacher at Nanjing Audit University since 1987. He was the Dean of the School of Accounting at Nanjing Audit University and a Part-time Professor at Curtin University of Australia. He has served as Vice-President of Xi'an Eurasia University since 2014. Mr. Yang also serves as an independent director in the following companies: Jiangsu Kanion Pharmaceutical Co., Ltd., Luenmei Quantum Co., Ltd., Kingswood Enterprise Co., Ltd. and Changzhou Architectural Research Institute Group Co., Ltd. Mr. Yang graduated with a Bachelor's degree in Economics from Anhui University in 1982. He studied as a visiting scholar in Nanjing University in 1995.

MR. LI LEI
NON-EXECUTIVE 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 DAVID
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 Co-founder and Executive Chairman of DCP Capital ("DCP"). Before he founded DCP, Mr. Liu was a Partner of KKR, co-head of KKR Asia Private Equity and CEO of KKR Greater China. Mr. Liu served as a member of KKR's Asian Private Equity Investment Committee, Asian Portfolio Management Committee and China Growth Fund Investment Committee. Prior to joining KKR, Mr. Liu was Managing Director and co-head of Morgan Stanley Private Equity Asia. Mr. Liu has established one of the leading investment track records in Greater China over the past 26 years of direct investment and was responsible for a number of successful and innovative private equity investments in Greater China, such as Ping An Insurance, Mengniu Dairy, Qingdao Haier Co., Sunner Poultry, Belle International, Far East Horizon, Nanfu Battery, Modern Dairy, United Envirotech, CICC, China Cord Blood, Paradise Retail, Hengan International, COFCO Meat, Yuehai Feed, Asia Dairy and Venus Medtech. Mr. Liu is an Advisory Director of Private Equity Investment Fund Committee of 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 the top electrical engineering student at Columbia University.

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 for 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, responsible for investment management and investor relations. Mr. Chen assumed several positions in the Group, mainly 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, and several other investment companies in risk investment, IPO and M&A areas. Mr. Chen graduated in 1996 from Nanjing University of Science and Technology and obtained his MBA from Nanjing University in 2003.

MR. GU QUAN JUN
SENIOR VICE PRESIDENT

Mr. Gu joined Sunpower in 2017 and is the Group's Senior Vice President responsible for the GI business segment. Mr. Gu worked at Jiangsu Electric Power Bureau, Jiangsu Power Generation Co., Ltd. and SPIC Jiangsu Electronic Power Co., Ltd. from 1992 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 achieved his bachelor's degree from China University of Mining and Technology and obtained his EMBA from Nanjing University.

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.

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 Machinery Manufacturing Division and Chemical Machinery Equipment Plant Director of Jiangsu Sunpower High-Tech Industry Co., Ltd. and Jiangsu Sunpower Machinery Manufacturing Co., Ltd. and then he served as Deputy General Manager of Machinery Manufacturing Division of these two companies during March 2010 to February 2015. From February 2015 to December 2016, he worked as the Deputy General Manager of Jiangsu Sunpower Pressure Vessel Equipment Manufacturing Co., Ltd., and then became Deputy General Manager of Jiangsu Sunpower Clean Energy Co., Ltd. till he resumed his current role.
Mr. Zhu graduated from the Nanjing Specialist Power College in 1999. Then from September 2002 to July 2005, he studied at Southeast University and obtained his undergraduate degree.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Guo Hong Xin (Executive Chairman)
Ma Ming (Executive Director)
Jiang Ning (Lead Independent Director)
Lau Ping Sum Pearce (Independent Director)
Chin Sek Peng (Independent Director)
Yang Zheng (Independent Director)
Li Lei (Non-Executive Director)
Liu Haifeng David (Non-Executive Director)

AUDIT COMMITTEE
Chin Sek Peng (Chairman)
Jiang Ning
Lau Ping Sum Pearce
Yang Zheng

NOMINATING COMMITTEE
Jiang Ning (Chairman)
Lau Ping Sum Pearce
Guo Hong Xin
Chin Sek Peng
Li Lei
Liu Haifeng David
Yang Zheng

REMUNERATION COMMITTEE
Lau Ping Sum Pearce (Chairman)
Jiang Ning
Chin Sek Peng
Li Lei
Liu Haifeng David

COMPANY SECRETARY
Ho Wui Mee Marian

DEPUTY SECRETARY
Chew Bee Leng

BERMUDA RESIDENT REPRESENTATIVE AND ASSISTANT SECRETARY
Estera Services (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

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Nanjing Jiangning Science Park
Nanjing, 211112
P. R. China
www.sunpower.com.cn

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Hamilton HM 12
Bermuda

SINGAPORE SHARE TRANSFER AGENT
RHT Corporate Advisory Pte. Ltd.
9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619

BERMUDA SHARE REGISTRAR AND TRANSFER AGENT
Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

AUDITORS
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809
Audit Partner: 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

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") 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. The Board has been putting in place various self-regulating and monitoring mechanisms, in accordance with the Code of Corporate Governance 2012 (the "**Code**") issued by the Monetary Authority of Singapore.

While the Code of Corporate Governance 2018 ("**2018 Code**") that was issued on 6 August 2018 applies to annual reports of the Company for the financial year ending 31 December 2019 and onwards, the Company has already committed to compliance with certain provisions of the 2018 Code, and will continue to keep pace with developments in corporate governance by improving its practices and operating frameworks.

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

1. BOARD MATTERS

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 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, funding and investment proposals as well as corporate or financial restructuring, share issuance, declaration of dividends and other returns to shareholders and interested person transactions. 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/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 management performance;

(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 function within its terms of reference. The NC is tasked with the responsibility of carrying out annual reviews of the effectiveness of the Board and each individual Director. 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 first and third quarters, half-year and full-year financial results. 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 2018 ("**FY2018**") 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	4	3	4	3	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

(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. 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. The seminars and trainings will be funded by the Company.

(viii) New updates relating to changes to the listing rules ("**Listing Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") which are relevant to the Directors are circulated to the Board. 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. A formal letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as a member of the Board.

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	27 April 2016	Executive/Non-Independent
Ma Ming	Director	12 May 2004	26 April 2018	Executive/Non-Independent
Jiang Ning	Director	2 February 2005	26 April 2017	Non-executive/Independent
Lau Ping Sum Pearce	Director	2 February 2005	26 April 2018	Non-executive/Independent
Chin Sek Peng	Director	2 February 2005	26 April 2017	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

(ii) The independent Directors make up half of the Board and the independence of each Director is reviewed by the NC. The NC adopts the provisions of the Listing Rules and of the 2018 Code in its review of who can be considered as an independent Director. The NC is of the view that the non-executive Directors are independent except for Mr Li Lei and Mr Liu Haifeng David.

(iii) Mr Jiang Ning, 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. For the purposes of compliance with the Listing Rules and the Code, the Board conducted a rigorous review of their independence. The Board sought written feedback from all Directors for the review of the independence of each of the three (3) abovementioned Directors. The criteria applied by the Board for the review included whether each of the three (3) 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 Mr Jiang Ning, Mr Lau Ping Sum Pearce and Mr Chin Sek Peng be considered independent notwithstanding that they have served on the Board beyond nine (9) years. Further, Mr Jiang Ning, Mr Lau Ping Sum Pearce and Mr Chin Sek Peng have in-depth understanding of the Group's business and are well-qualified and experienced and have the ability to make impartial and well-balanced decisions and to act in the best interests of the Company and its shareholders.

(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 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 19 and 21 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 Management's performance against goals and objectives. Their views and opinions provide alternate 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 presence of Management to facilitate a more effective check on Management.

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 chief executive officer of the Company ("**CEO**") 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 its effectiveness on all aspects of its role;
- 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 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 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 Management before they are presented to the Board.

(ii) The Company Secretary 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 Jiang Ning 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 through the Executive Chairman, CEO, or chief financial officer ("**CFO**") have failed to resolve or is inappropriate, shall be 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. He is the founder and the controlling shareholder of the Company, and he possesses technical and market knowledge as well as industry connections that are 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.

Board Membership

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

(i) The NC comprises Mr Jiang Ning, Mr Lau Ping Sum Pearce, Mr Guo Hong Xin, Mr Chin Sek Peng, Mr Li Lei, Mr Liu Haifeng David and Mr Yang Zheng, a majority of whom are independent Directors.

The chairman of the NC, Mr Jiang Ning, 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) 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;

(b) reviewing all candidates nominated for appointment as senior management staff;

(c) 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;

(d) 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, including independent Directors;

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

(f) 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) As a Director's ability to commit time to the Group's affairs is essential for his contribution and performance, the Board has determined that the maximum number of listed company board representations which any Director of the Company may hold is six (6) and all Directors have complied.

(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 proposed candidates' independence, expertise, background and skill sets will be considered 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

Name of Directors	Listed Company Directorships	Principal Commitments*
Independent Directors		
Mr Jiang Ning	Sunpower Group Ltd.	Lead Independent Director, NC Chairman, AC member and RC member
	Suzhou Dongshan Precision Manufacturing Co., Ltd.	Independent Director
	Jiangsu Phoenix Property Investment Company Limited	Independent Director
	–	Professor of Nanjing University
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 Limited	Independent Director, RC Chairman
	–	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 Limited	Lead Independent Director, AC Chairman
	TEE Land Limited	Independent Director, AC Chairman
	Sitra Holdings (International) Limited	Lead Independent Director, AC Chairman
	–	Director of PKF-CAP Advisory Partners Pte. 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

Name of Directors	Listed Company Directorships	Principal Commitments*
Mr Yang Zheng	Sunpower Group Ltd.	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
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
	Qingdao Haier Co., Ltd	Non-executive Director
	China International Capital Corporation Limited (CICC)	Non-executive Director
	Far East Horizon Limited	Non-executive Director
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 some 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 an independent coordinator who will 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 FY2018.

Access to information

Principle 6: Board members to have complete, adequate and timely 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 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 ensure that the Company complies 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 the independent professional advisors to obtain advice, at the Company's expense.

2. REMUNERATION MATTERS

Procedures for developing remuneration policies

Principle 7: Formal and transparent procedure for fixing remuneration packages of Directors and key management executives

(i) The RC comprises Mr Lau Ping Sum Pearce, Mr Jiang Ning, Mr Chin Sek Peng, Mr Li Lei and Mr Liu Haifeng David, a majority of whom 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; and

(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 incumbent.

(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, stock options granted and benefits-in-kind;

(b) proposing to the Board appropriate and meaningful measures for assessing the Directors' and key executive's 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 termination of the executive Directors and key management personnel's contracts of service, 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 8: Remuneration of Directors should be adequate, not excessive and linked to performance

(i) All independent Directors have no service agreements with the Company. They are each 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/or 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 include 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 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.

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.

Principle 9: 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 FY2018 is reflected in the section on "Disclosure on Directors' and Key Executives' Remuneration".

(iv) The Company does not have any employees who are immediate family members of a Director or the CEO, and whose remuneration exceeded S$50,000 during FY2018.

(v) 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 Chairman 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 28 December 2018, an aggregate of 27,790,200 ordinary shares were issued and allotted pursuant to the exercise of options under the Sunpower Employee Share Option Scheme 2015, at an exercise price of S$0.116 each.

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.

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 FY2018 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$2,350,000 to S$2,450,000					
Mr Guo Hong Xin	17.7%	81.5%	–	0.8%	100
Between S$2,300,000 to S$2,400,000					
Mr Ma Ming	16.3%	82.9%	–	0.8%	100
Independent Directors					
Below S$250,000					
Mr Jiang Ning	–	–	100%	–	100
Mr Lau Ping Sum Pearce	–	–	100%	–	100
Mr Chin Sek Peng	–	–	100%	–	100
Mr Yang Zheng	–	–	100%	–	100
Non-executive, non-independent Directors					
Mr Liu Haifeng David**	–	–	–	–	–
Mr Li Lei**	–	–	–	–	–

Remuneration Band & Name of Director	Base/ fixed salary	Variable or performance-related income/ bonuses	Director's fees	Other benefits*	Total
					%
Key Executives					
Below S$250,000					
Ms Ge Cui Ping	67.0%	23.7%	–	9.3%	100
Mr Chen Kai	66.9%	26.1%	–	7.0%	100
Mr Gu Quan Jun	67.8%	28.7%	–	3.5%	100
Mr Yuan Zi Wei	75.6%	18.1%	–	6.3%	100
Mr Zhu Bing Cheng	48.3%	44.0%	–	7.7%	100

** 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, and Mr Zhu Bing Cheng, the Group does not have other key executive in FY2018. The total remuneration paid to the above key executives (who are not Directors or the CEO) of the Company for FY2018 is RMB3.67 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 FY2018.

3. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: Board's accountability to shareholders

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 statements to the AC for review and the AC's recommendations to the Board for approval. The financial results announcement is reviewed by the AC and the Board 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 statements. 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 11: 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 2018. 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 Risk Management Committee ("**RMC**") was formed in 2011. The members of RMC mainly include Mr Guo Hong Xin and Mr Ma Ming, executive Directors, Mr Jiang Ning, Independent Director, and Ms Ge Cuiping, the CFO. The RMC shall meet no less than two (2) times a year and at other times as required.

(vi) The RMC shall perform 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 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 12: Establishment of Audit Committee with written terms of reference

(i) The AC comprises four (4) independent non-executive Directors, namely, Mr Chin Sek Peng, Mr Lau Ping Sum Pearce, Mr Jiang Ning 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 more than 35 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 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 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 will meet with the external auditors and internal auditors without the presence of Management annually. The AC also met 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 read technical newsletters as appropriate and was updated by the auditors during the AC meeting 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 key audit matters ("**KAMs**") set out in the independent auditor's report. These KAMs relate to matters that in the auditor's professional judgement represent the most significance in the audit of the financial statements of the Group for FY2018. These matters are considered most significant by the auditor largely because the amount is material and there is a high level of judgements and estimates involved particularly in the area of recognising revenue, cost and intangible assets during construction phase for green investment projects based on percentage completion, collectability of trade receivables and determining the fair values of the identifiable net assets of the newly acquired subsidiaries for the purpose of purchase price allocation. They are therefore subject to greater emphasis and scrutiny in the audit and are selected by the auditor for communication with the AC including those charged with governance.

The AC has discussed and reviewed the KAMs with the auditor and 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") and Build, Owned and Operate ("BOO") projects** *(Refer to Notes 3.2(a), 18 and 31 to the financial statements)*	The Group has Build-Operate-Transfer ("BOT") and Build, Owned and Operate ("BOO") green investment projects and the AC noted that the Group recognised revenue from these BOT/ BOO projects while in the construction phase. There is significant judgement and estimate involved in the recognition of revenue for such projects which is guided by the accounting standards, *SFRS(I) INT12 Service Concession Arrangements* and SFRS(I) 15 *Revenue from Contracts with Customers*. These standards set out the guidance for recognition of revenue during the 2 phases of the BOT/BOO life cycle namely (i) construction phase and (ii) operating phase (service concession period).	The AC is satisfied that management has with due care exercised the appropriate judgement and estimate in recognising the intangible asset, revenue and cost for BOT/BOO projects during the construction phase based on 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
		The revenue recognition during the construction phase does not give rise to increase in cash inflows but instead result in an intangible asset which would be recovered over the service concession period when steam, heat and electricity is sold to the customers. As construction of these BOT/BOO projects progresses, the higher will be the intangible asset and revenue recognised in FY2018. The AC discussed with management and the auditor on the judgement and estimate made in relation to: (i) the 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 profit margins for each of the construction and operating phases of the projects which are also benchmarked against other listed companies in Asia operating in similar projects to ensure that the margins recognised and the allocation of revenue between the construction and operating phases of the project are reasonable; (iv) allocation of revenue between the Engineering, Procurement, and Construction Integrated Solutions ("EPC") and service elements of the project; and (v) recoverable amount of the intangible assets which represents cost recoverable from future operations.	

	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 2018 stood at RMB1,192 million and accounted for about 18% of total assets. This is a significant account item and collectability is considered a key risk in view of the history of slow collection and tightening credit in China. The AC has considered the following matters: (i) ageing of trade receivables and contract assets and noted that 89% of trade receivables and contract assets are less than one year while 6% are more than 1 year and less than 2 years, and 5% are more than 2 years as at 31 December 2018; (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 RMB10 million being credited to profit or loss in FY2018. The AC also discussed with: (i) management on its assessment of collectability of trade receivables and the adequacy of loss allowance made; 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 is satisfied with the judgement and estimate made by management on the adequacy of the allowance for doubtful trade receivables and contract assets at reporting date of approximately RMB46 million.

	KAMs involving significant judgements and estimates by management	Matters considered by AC	Conclusion by AC
		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 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.	
3	**Business combinations** *(Refer to Notes 3.2(f) and 38 to the financial statements)*	During the year, the Group acquired 100% equity interest in Zhangjiagang Yongxing Thermal Power Co., Ltd. ("Yongxing") and Jiangsu Hengtong Electricity Sales Co., Ltd ("Hengtong") for a total consideration of RMB773 million. The Group has completed the purchase price allocation ("PPA") arising from the acquisition and recognised intangible assets and goodwill of RMB395 million and RMB310 million respectively. This acquisition is quantitatively material and the PPA exercise, which involves the identification of the acquired assets and liabilities and determining their respective fair values, requires the use of significant management judgement and estimate. The AC reviewed the relevant documents supporting the acquisition including the accounting treatment for the acquisition and also discussed with the management and auditor on their assessment of the independence and competency of the valuer who performed the valuation of Yongxing and Hengtong.	The AC is satisfied with the management's judgement and estimate on the identification of the acquired assets and liabilities and their respective fair values and the management and auditor's assessment of the independence and competency of the valuer in determining the fair values of the identifiable net assets for the purpose of purchase price allocation.

Internal Audit

Principle 13: Setting up independent internal audit function

(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 RESPONSIBILITIES

Shareholder Rights, Communication with Shareholders and Conduct of Shareholder Meetings

Principle 14: Regular, effective and fair communication 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 and the press;
- notices of annual general meetings; and
- the Company's portal at http://www.sunpower.com.cn and investor relations website at http://sunpower.listedcompany.com/ which shareholders can access information on the Group.

Principle 15: Shareholders' participation at AGM

(i) 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.

(ii) 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.

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

(iv) 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.

(v) 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 16: Conduct of Shareholders' 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 Secretary prepares minutes of general meetings that include comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and 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 FY2018 is set out as follows:

	AGM (26 April 2018)	Special General Meeting (6 September 2018)	Special General Meeting (28 December 2018)
	Attended	Attended	Attended
Guo Hong Xin	√	X	X
Ma Ming	√	√	√
Jiang Ning	√	X	X
Lau Ping Sum Pearce	√	√	√
Chin Sek Peng	√	√	√
Li Lei	X	X	X
Liu Haifeng David	X	X	X
Yang Zheng	√	X	√

(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. If the material information discussed at a Shareholders' Meeting is not disclosed in the announcements of the results of the Shareholders' Meeting or cannot be found in the other or previous announcements or public documents released by the Company, the Company shall disclose or publish the minutes of general meetings of shareholders on its corporate website.

(ix) 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.

(x) The Company has its own corporate website and updates it 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.

5. 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 FY2018.

6. 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.

There are no transactions with interested persons for FY2018 that are above $100,000 to be disclosed.

7. 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 FY2018.

8. USE OF PROCEEDS FROM CONVERTIBLE BONDS

On 3 March 2017, the Company completed the issuance of first tranche of 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 of 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 CDH 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$67.5 million, after deducting transaction expenses of approximately US$2.5 million. On 15 October 2018, the Company has completed the issuance of CB2 of an aggregate principal amount of US$20 million and 16,464,490 warrants to the Investors.

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

As at 31 January 2019, the Company has utilised an aggregate of US$112.4 million of the net proceeds from Convertible Bonds as per schedule below.

Project	Use of Convertible Bonds Proceeds	Amount
Shantou	Project construction and equipment procurement	US$20.5 million (approximately RMB132.6 million)
Liutuan	Registered capital	US$0.8 million (approximately RMB5.2 million)
Jining JVC	Installation of steam distribution pipeline	US$1.6 million (approximately RMB10.3 million)
Xinjiang	Registered capital	US$1.4 million (approximately RMB9.0 million)
Yingtan	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)
Xinyuan Thermal Power	Purchase consideration of the acquisition	US$13.1 million (approximately RMB85.0 million)
Xintai Zhengda Thermoelectric	Purchase consideration of the acquisition and construction of new facilities	US$22.0 million (approximately RMB145.0 million)
Yongxing Thermal Power	Purchase consideration of the acquisition	US$41.6 million (approximately RMB275.8 million)
General	Administrative and general expenses for business expansion of Green Investment related business	US$7.3 million (approximately RMB47.7 million)
Total Convertible Bonds Proceeds utilized		**US$112.7 million (approximately RMB739.1 million)**
Balance of Convertible Bonds Proceeds available for use		**US$13.5 million (approximately RMB93.7 million)**

*Note: The balance of Convertible Bonds proceeds has already been committed in the investment of the GI project.

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 Statements

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, 2018.

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 162 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, 2018, 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
Jiang Ning
Lau Ping Sum Pearce
Chin Sek Peng
Li Lei
Liu Haifeng David
Yang Zheng

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, 2018	At December 31, 2018	At January 21, 2019
Interest in Sunpower Group Ltd.			
Ordinary shares			
Guo Hong Xin (deemed interest)	147,716,554	147,716,554	147,716,554
Ma Ming (deemed interest)	128,541,737	128,541,737	128,541,737

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)
Jiang Ning
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, 2018	Exercised	Cancelled/ Lapsed	Outstanding at December 31, 2018	Exercise price per share	Exercisable period
	('000)	('000)	('000)	('000)		
May 19, 2015	59,220	27,790	–	31,430	S$0.116	May 20, 2018 to May 19, 2025

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

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	(3,553)	–	5,415
Li Feng (Employee)	–	5,120	(3,072)	–	2,048

During the financial year, shares amounting to 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 Jiang Ning, 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, 2018. 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 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;

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

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

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

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

March 27, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Sunpower Group Ltd.

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, 2018, 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 162.

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, 2018 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") and Build, Owned and Operate ("BOO") projects

(Refer to Notes 3.2(a), 18 and 31 to the financial statements)

The Group has BOT and BOO 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 Agreements*.

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 Engineering, Procurement, and Construction Integrated Solutions (EPC) and service elements of the project.
- Recoverable amount of intangible assets which represent cost recoverable from future operations.

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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;
- considered the basis for management conclusion that the amount of intangible assets is recoverable for each of the BOT and BOO projects.

We checked 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.

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</table>

Key audit matter	How the matter was addressed in the audit
(2) Collectability of trade receivables and contract assets (Refer to Notes 3.2(b) and 8 to the financial statements) At December 31, 2018, aged trade receivables and contract assets in excess of one year and in excess of two years amounted to RMB126.84 million and RMB55.29 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.	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; ● considered the subsequent receipts, if any, and the reasonableness of lifetime expected credit loss. We checked the adequacy of disclosures in Notes 3.2(b) and 8 to the financial statements.
(3) Business combinations (Refer to Notes 3.2(f) and 38 to the financial statements) During the year, the Group acquired 100% equity interest in Zhangjiagang Yongxing Thermal Power Co., Ltd. ("Yongxing") and Jiangsu Hengtong Electricity Sales Co., Ltd ("Hengtong") for a total consideration of RMB773 million. The Group has completed the purchase price allocation ("PPA") arising from the acquisition and recognised intangible assets and goodwill of RMB395 million and RMB310 million respectively. This acquisition is quantitatively material and the PPA exercise, which involves the identification of the acquired assets and liabilities and their respective fair values, requires the use of significant management judgement and estimate.	We: ● reviewed the relevant documents supporting the acquisition and the proper accounting treatment for the acquisition; ● assessed the independence and competency of the external valuer who performed the valuation of Yongxing and Hengtong; ● engaged our internal valuation specialists to review and assess the appropriateness of the assumptions used in the PPA, including the discount rate. We checked the adequacy of disclosures in Notes 3.2(f) and 38 to the financial statements.

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 & Toucher LLP
Public Accountants and
Chartered Accountants
Singapore

March 27, 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	GROUP December 31, 2018 RMB'000	GROUP December 31, 2017 RMB'000	GROUP January 1, 2017 RMB'000	COMPANY December 31, 2018 RMB'000	COMPANY December 31, 2017 RMB'000	COMPANY January 1, 2017 RMB'000
ASSETS							
Current assets							
Cash and cash equivalents	6	685,306	902,608	281,277	81,580	62,334	3,522
Pledged bank deposits	7	112,381	88,476	69,218	–	–	–
Trade receivables and contract assets	8	1,191,540	1,264,156	1,018,281	–	–	–
Other receivables, deposits and prepayments	9	390,179	363,804	117,650	27,144	28,347	14,764
Inventories	10	499,862	342,762	209,769	–	–	–
Land use rights	12	5,822	4,594	3,748	–	–	–
Financial assets at fair value through other comprehensive income	14	97,278	–	–	–	–	–
Total current assets		2,982,368	2,966,400	1,699,943	108,724	90,681	18,286
Non-current assets							
Land use rights	12	285,513	193,990	170,466	–	–	–
Property, plant and equipment	13	869,813	474,003	250,208	–	–	–
Other receivables, deposits and prepayments	9	12,667	23,804	8,535	198,800	29,603	20,000
Financial assets at fair value through other comprehensive income	14	11,718	–	–	–	–	–
Available-for sale-investment	15	–	9,782	–	–	–	–
Subsidiaries	16	–	–	–	955,558	951,902	325,476
Associate	17	9,257	10,290	–	–	–	–
Intangible assets	18	2,073,728	1,283,726	635,369	–	–	–
Deferred tax assets	19	28,671	14,194	13,227	–	–	–
Goodwill	20	335,769	24,114	5,483	–	–	–
Commitment fee	25	13,943	–	–	13,943	–	–
Total non-current assets		3,641,079	2,033,903	1,083,288	1,168,301	981,505	345,476
Total assets		6,623,447	5,000,303	2,783,231	1,277,025	1,072,186	363,762

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	GROUP			COMPANY		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES AND EQUITY							
Current liabilities							
Trade payables	21	1,717,110	1,376,195	846,801	–	–	–
Other payables	22	798,295	379,515	187,681	69,403	48,583	38,684
Borrowings	23	492,904	517,200	401,000	41,179	–	–
Warrants	25	8,997	–	–	8,997	–	–
Income tax payable		58,812	33,099	30,894	–	–	–
Total current liabilities		3,076,118	2,306,009	1,466,376	119,579	48,583	38,684
Non-current liabilities							
Deferred tax liabilities	19	148,190	36,401	16,120	–	–	–
Borrowings	23	839,429	567,616	157,000	41,179	6,616	–
Convertible bonds	24	729,442	687,256	–	729,442	687,256	–
Total non-current liabilities		1,717,061	1,291,273	173,120	770,621	693,872	–
Capital and reserves							
Share capital	26	55,439	53,531	53,531	55,439	53,531	53,531
Share premium	27	288,618	266,938	266,938	288,618	266,938	266,938
General reserves	28	117,892	87,921	70,508	–	–	–
Share option reserve	29	8,406	15,839	12,828	8,406	15,839	12,828
Foreign currency translation reserve		(21)	(137)	–	–	–	–
Revaluation reserve	30	(2,964)	–	–	–	–	–
Retained earnings (Accumulated losses)		1,122,481	837,807	714,237	34,362	(6,577)	(8,219)
Equity attributable to equity holders of the Company		1,589,851	1,261,899	1,118,042	386,825	329,731	325,078
Non-controlling interests		240,417	141,122	25,693	–	–	–
Total equity		1,830,268	1,403,021	1,143,735	386,825	329,731	325,078
Total liabilities and equity		6,623,447	5,000,303	2,783,231	1,277,025	1,072,186	363,762

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	GROUP 2018 RMB'000	GROUP 2017 RMB'000
Revenue	31	3,262,893	1,965,470
Cost of sales		(2,569,081)	(1,557,687)
Gross profit		693,812	407,783
Other operating income	32	68,436	73,848
Selling and distribution expenses		(58,052)	(48,252)
Administrative expenses		(301,972)	(206,598)
Other operating expenses		(30,003)	(26,509)
Finance costs	33	(146,776)	(91,775)
Share of loss of associate	17	(1,033)	–
Fair value changes on convertible bonds	24	165,390	69,338
Fair value changes on warrants	25	4,900	–
Profit before income tax	34	394,702	177,835
Income tax expense	35	(62,147)	(26,986)
Profit for the year		332,555	150,849
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operation		116	(137)
Net fair value loss on investments in equity instruments designated as at FVTOCI		(1,845)	–
Net fair value gain on investments in debt instruments classified as at FVTOCI		65	–
Other comprehensive income for the year, net of tax		(1,664)	(137)
Total comprehensive income for the year		330,891	150,712
Profit for the year attributable to:			
Equity holders of the Company		320,520	145,770
Non-controlling interests		12,035	5,079
Profit for the year		332,555	150,849
Total comprehensive income for the year attributable to:			
Equity holders of the Company		318,856	145,633
Non-controlling interests		12,035	5,079
Profit for the year		330,891	150,712
Earnings per share (RMB cents)			
- Basic	36	43.42	19.76
- Diluted	36	37.29	19.52

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital	Share premium	General reserves (Note 28)	Share option reserve	Foreign currency translation 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
GROUP									
Balance at January 1, 2017	53,531	266,938	70,508	12,828	–	714,237	1,118,042	25,693	1,143,735
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	145,770	145,770	5,079	150,849
Other comprehensive loss for the year	–	–	–	–	(137)	–	(137)	–	(137)
Total	–	–	–	–	(137)	145,770	145,633	5,079	150,712
Transactions with owners, recognised directly in equity									
Dividend paid (Note 37)	–	–	–	–	–	(4,393)	(4,393)	–	(4,393)
Dividend paid to non-controlling interest of a subsidiary	–	–	–	–	–	–	–	(3,195)	(3,195)
Transfer to general reserves (Note 28)	–	–	17,807	–	–	(17,807)	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	63,700	63,700
Non-controlling interests arising from acquisition of subsidiaries (Note 38)	–	–	–	–	–	–	–	50,450	50,450
Effects of acquiring part of non-controlling interest in a subsidiary	–	–	(394)	–	–	–	(394)	(605)	(999)
Employee share option expenses (Note 29)	–	–	–	3,011	–	–	3,011	–	3,011
Total	–	–	17,413	3,011	–	(22,200)	(1,776)	110,350	108,574
Balance at December 31, 2017	53,531	266,938	87,921	15,839	(137)	837,807	1,261,899	141,122	1,403,021

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital	Share premium	General reserves (Note 28)	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
GROUP										
Balance as at December 31, 2017	53,531	266,938	87,921	15,839	(137)	–	837,807	1,261,899	141,122	1,403,021
Effects of adoption of SFRS(I) 9	–	–	–	–	–	(1,184)	(1,636)	(2,820)	–	(2,820)
Balance as at January 1, 2018 (Restated)	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 37)	–	–	–	–	–	–	(4,239)	(4,239)	–	(4,239)
Dividend paid to non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	(3,600)	(3,600)
Transfer to general reserves (Note 28)	–	–	29,971	–	–	–	(29,971)	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	63,700	63,700
Non-controlling interests arising from acquisition of subsidiaries (Note 38)	–	–	–	–	–	–	–	–	27,160	27,160
Employee share option expenses (Note 29)	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

Year ended 31 December 2018

	Share capital	Share premium	Share option reserve	Retained earnings	Equity attributable to equity holders of the Company	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COMPANY						
Balance as at January 1, 2017	53,531	266,938	12,828	(8,219)	325,078	325,078
Profit for the year, representing total comprehensive income for the year	–	–	–	6,035	6,035	6,035
Transactions with owners, recognised directly in equity						
Employee share option expenses (Note 29)	–	–	3,011	–	3,011	3,011
Dividend paid (Note 37)	–	–	–	(4,393)	(4,393)	(4,393)
Total	–	–	3,011	(4,393)	(1,382)	(1,382)
Balance as at December 31, 2017	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 37)	–	–	–	(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

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	GROUP	
	2018	2017
	RMB'000	RMB'000
Operating activities		
Profit before income tax	394,702	177,835
Adjustments for:		
Depreciation expense	63,366	34,414
Amortisation of intangible assets	37,574	12,933
Interest expense	146,776	91,775
Amortisation of land use rights	5,479	2,730
Exchange differences arising on foreign currency translation	(512)	137
Share of loss of associate	1,033	–
(Gain) loss on disposal of property, plant and equipment	(381)	20
Share option expense (Note 29)	–	3,011
(Reversal of) of impairment allowance on inventories, net of impairment (reversals)	(3,815)	534
Interest income	(6,145)	(12,236)
Impairment loss on trade and other receivables subject to ECL, net	15,187	–
Reversal of impairment loss on trade and other receivables, net	–	(15,265)
Amortisation of commitment fee	560	–
Exchange gain on warrants	(606)	–
Exchange loss (gain) on convertible bonds	18,416	(18,054)
Fair value gain on convertible bonds	(165,390)	(69,338)
Fair value gain on warrants	(4,900)	–
Operating cash flows before movements in working capital	501,344	208,496
Trade receivables and contract assets	19,651	(228,622)
Other receivables and prepayments	(28,737)	(116,843)
Inventories	(138,963)	(109,903)
Trade payables	(59,858)	385,427
Other payables	32,546	(9,689)
Cash generated from operations	325,983	128,866
Income tax paid	(45,691)	(21,668)
Interest received	6,145	12,236
Interest paid	(79,188)	(33,551)
Net cash from operating activities	207,249	85,883
Investing activities		
Purchase of property, plant and equipment	(71,709)	(52,368)
Prepayment for build-operate-transfer ("BOT") projects	–	(15,269)
Acquisition of intangible assets (Note A)	(228,419)	(521,803)
Acquisition of subsidiaries (Note 38)	(433,470)	(82,579)
Prepaid capital contribution for investment in a subsidiary	–	(10,000)
Acquisition of an associate	–	(10,290)
Payment for land use rights acquired	(33,717)	(993)
Proceeds from disposal of property, plant and equipment	604	749
Net cash used in investing activities	(766,711)	(692,553)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	GROUP	
	2018	2017
	RMB'000	RMB'000
Financing activities		
Acquisition of non-controlling interest in a subsidiary	–	(999)
Contribution from non-controlling interest holders	63,700	63,700
Proceeds from new borrowings	837,798	903,616
Proceeds from convertible bonds	123,416	731,667
Pledged bank deposits	(23,905)	(19,258)
Payment of dividend	(4,239)	(4,393)
Payment of dividend to non-controlling interest from a subsidiary	(3,600)	(3,195)
Repayment of borrowings	(667,281)	(443,000)
Proceeds from exercise of share options	16,155	–
Net cash from financing activities	342,044	1,228,138
Net (decrease) increase in cash and cash equivalents	(217,418)	621,468
Cash and cash equivalents at beginning of year	902,608	281,277
Effects of foreign exchange rate changes	116	(137)
Cash and cash equivalents at end of year (Note 6)	685,306	902,608

Note A	2018	2017
	RMB'000	RMB'000
Non cash acquisition unpaid as at begining of the year	58,781	–
Additions during the year (Note 18)	416,908	581,674
Less: amortisation of land use rights capitalised in intangible assets	–	(1,090)
Less: Cash outflows during the year	(228,419)	(521,803)
Non cash acquisition unpaid as at end of the year	247,270	58,781

The cash outflows of RMB228,419,000 (2017 : RMB521,803,000) during the year includes payments for intangible assets acquired in previous financial year.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration Number 35230) is incorporated in Bermuda, under the Companies Act 1981 of Bermuda, with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, 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.

At the end of the reporting period, the Group's current liabilities exceeded its current assets by RMB93,750,000. The Group is dependent on credit facilities committed by banks and related parties, undrawn principal amounts from convertible bonds, and the availability of future cash flows from the Group's operations. Management is satisfied that with net cash inflows from operations, the availability of credit facilities and future positive cash flows to be generated from newly invested projects, the Group will be able to meet its obligations as and when they fall due. It is therefore appropriate for the financial statements to be prepared on a going concern basis.

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, 2018 were authorised for issue by the Board of Directors on March 27, 2019.

For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended December 31, 2018 are the first set that the company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 44.

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 the Singapore Companies Act and 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*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (before January 1, 2018)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts to present value, the estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bank balances, cash and bank balances, and pledged deposits are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Available-for-sale investments

Certain shares held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (before January 1, 2018) (Cont'd)

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (before January 1, 2018) (Cont'd)

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.

Financial assets (from January 1, 2018)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (from January 1, 2018) (Cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (from January 1, 2018) (Cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (from January 1, 2018) (Cont'd)

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 (from January 1, 2018) (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;
- 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;
- an actual or expected significant deterioration in the operating results of the debtor;
- 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 (from January 1, 2018) (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;

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

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;

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 (from January 1, 2018) (Cont'd)

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

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 issuance 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments (Cont'd)

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.

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments (Cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 - 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.

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. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained. When it is probable that the total project costs will exceed the total project revenue, the expected loss is recognised as an expense immediately.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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

<u>*Intangible assets acquired separately*</u>

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".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

SERVICE CONCESSION ARRANGEMENTS - Service concession under build-operate-transfer ("BOT"), or build-own-operate ("BOO") 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 and BOO 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 recognized and measure in accordance with the policy set out for "Provisions" below.

Repair and maintenance and other expenses that are routine in nature and expensed and recognized 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.

LICENSES

Indefinite useful lives

The useful lives of the licenses are estimated to be indefinite based on the current practice 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 amortised over the period of 36 years on a straight line basis to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 29. 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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"), or Build-Own-Operate ("BOO") 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

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 Note 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 (measured as the proportion of contract costs incurred for work performed to date bear relative to the estimated total contract costs) 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

3.2 Key sources of estimation uncertainty (Cont'd)

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

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.

(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 31 December 2018, the fair value of derivative liability component of the convertible bonds amounted to RMB208,168,000 (December 31, 2017 : RMB334,687,000, January 1, 2017: RMBNil) 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 38 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 and bank borrowings. 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		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Financial assets at amortised cost	1,564,092	–	–	321,467	–	–
Loans and receivables (including cash and bank balances and pledged bank deposits)	–	1,832,554	1,063,787	–	120,284	38,286
Available-for-sale investment	–	9,782	–	–	–	–
Financial assets at FVTOCI:						
Debt instruments classified as at FVTOCI	97,278	–	–	–	–	–
Equity instruments designated as at FVTOCI	11,718	–	–	–	–	–
Financial liabilities						
Financial liabilities at amortised cost	3,872,989	2,815,288	1,323,393	673,035	407,768	38,684
Fair value through profit or loss (FVTPL)	217,165	334,687	–	217,165	334,687	–

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(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:

	December 31, 2018				December 31, 2017				January 1, 2017			
	US$	S$	Euro	CAD	US$	S$	Euro	CAD	US$	S$	Euro	CAD
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GROUP												
Cash and bank balances	119,473	1,468	12,034	569	511,879	689	11,884	–	13,150	219	957	–
Trade receivables contract assets and other receivables	47,863	19	7,194	22	29,608	–	17,967	–	17,235	–	–	–
Trade and other payables	(98,996)	(4,452)	(261)	(118)	(17,996)	–	(771)	–	(2,677)	–	(307)	–
Borrowings	(82,358)	–	–	–	(6,616)	–	–	–	–	–	–	–
Convertible bonds	(729,442)	–	–	–	(687,256)	–	–	–	–	–	–	–
Warrants	(8,997)	–	–	–	–	–	–	–	–	–	–	–
Total	(752,457)	(2,965)	18,967	473	(170,381)	689	29,080	–	27,708	219	650	–
COMPANY												
Cash and bank balances	8,965	1,402	–	–	62,334	–	–	–	2,943	6	32	–
Other payables	(17,548)	(4,398)	–	–	(15,243)	–	–	–	–	–	–	–
Borrowings	(82,358)	–	–	–	(6,616)	–	–	–	–	–	–	–
Convertible bonds	(729,442)	–	–	–	(687,256)	–	–	–	–	–	–	–
Warrants	(8,997)	–	–	–	–	–	–	–	–	–	–	–
Total	(829,380)	(2,996)	–	–	(646,781)	–	–	–	2,943	6	32	–

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(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		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
GROUP	(37,623)	(8,519)	1,385	(148)	34	11	948	1,454	32	24	–	–
COMPANY	(41,469)	(32,339)	147	(150)	–	–	–	–	–	–	–	–

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

(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 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 RMB4,724,000 (2017 : increase/decrease by RMB8,265,000) 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, 2018, 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 company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the company arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

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

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	Loss allowance	Net carrying amount
				RMB'000	RMB'000	RMB'000
Group						
December 31, 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)	
Previously under FRS 39						
December 31, 2017						
Trade receivables and contract assets	8	n.a.	Incurred loss basis	1,296,068	(31,912)	1,264,156
Other receivables	9	n.a.	Incurred loss basis	390,316	(2,708)	387,608
					(34,620)	
January 1, 2017						
Trade receivables and contract assets	8	n.a.	Incurred loss basis	1,067,729	(49,448)	1,018,281
Other receivables	9	n.a.	Incurred loss basis	129,370	(3,185)	126,185
					(52,633)	

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(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	Loss allowance	Net carrying amount
				RMB'000	RMB'000	RMB'000
Company						
December 31, 2018						
Other receivables	9	Performing	12-month ECL	225,944	–	225,944
Previously under FRS 39						
December 31, 2017						
Other receivables	9	n.a.	Incurred loss basis	57,950	–	57,950
January 1, 2017						
Other receivables	9	n.a.	Incurred loss basis	34,764	–	34,764

(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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

(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.

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% (2017 : 25%, January 1, 2017: 37%) 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 (December 31, 2017 : five, January 1, 2017: five) largest customers accounted for approximately 18.1% (December 31, 2017 : 20.3%, January 1, 2017: 19.7%) of the Group's total trade receivables and contract assets as at December 31, 2018.

Other receivables account for 6% (December 31, 2017 : 8%, January 1, 2017: 4%) 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, 2018 and December 31, 2017, 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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

(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.

At the end of the reporting period, the Group's current liabilities exceeded its current assets by RMB93,750,000. The Group is dependent on credit facilities committed by banks and related parties, undrawn principal amounts from convertible bonds and the availability of future cash flows from the Group's operations. Management is satisfied that with the availability of credit facilities and newly invested projects, the Group will be able to meet its obligations as and when they fall due. It is appropriate for the financial statements to be prepared on a going concern basis.

In anticipation of the need for increased working capital, the Company newly issued Tranche 2 convertible bond with principal amount of RMB138.3 million (equivalent to US$20 million) on October 15, 2018. The net proceeds are approximately RMB123.4 million (equivalent to US$17.6 million), after deducting the estimated transaction expenses of approximately RMB14.9 million (equivalent to US$2.4 million) (Note 24).

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.

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	More than 1 to 5 years	Adjustment	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
GROUP					
December 31, 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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

(v) Liquidity risk management (Cont'd)

Liquidity and interest risk analyses (Cont'd)

Financial assets (Cont'd)

	Weighted average effective interest rate	On demand or less than 1 year	More than 1 to 5 years	Adjustment	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
GROUP					
December 31, 2017					
Non-interest bearing	–	920,752	–	–	920,752
Variable interest rate	0.32	835,821	–	(2,713)	833,108
Fixed interest rate	3.16	91,276	–	(2,800)	88,476
Total		1,847,849	–	(5,513)	1,842,336
January 1, 2017					
Non-interest bearing	–	717,744	–	–	717,744
Variable interest rate	0.34	277,780	–	(955)	276,825
Fixed interest rate	2.76	71,130	–	(1,912)	69,218
Total		1,066,654	–	(2,867)	1,063,787
COMPANY					
December 31, 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
December 31, 2017					
Non-interest bearing	–	34,942	–	–	34,942
Fixed interest rate	3.87	57,551	31,097	(3,306)	85,342
Total		92,493	31,097	(3,306)	120,284
January 1, 2017					
Non-interest bearing	–	8,286	–	–	8,286
Fixed interest rate	5.15	10,472	21,073	(1,545)	30,000
Total		18,758	21,073	(1,545)	38,286

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

(v) Liquidity risk management (Cont'd)

Liquidity and interest risk analyses (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						
December 31, 2018						
Non-interest bearing	–	2,236,547	–	–	–	2,236,547
Variable interest rate	4.38	3,607	89,573	–	(10,822)	82,358
Fixed interest rate	9.56	561,759	1,152,014	568,209	(510,733)	1,771,249
Total		2,801,913	1,241,587	568,209	(521,555)	4,090,154
December 31, 2017						
Non-interest bearing	–	1,377,903	334,687	–	–	1,712,590
Variable interest rate	3.86	255	7,128	–	(767)	6,616
Fixed interest rate	8.46	578,363	704,344	626,040	(477,978)	1,430,769
Total		1,956,521	1,046,159	626,040	(478,745)	3,149,975
January 1, 2017						
Non-interest bearing	–	765,393	–	–	–	765,393
Variable interest rate	5.23	85,209	–	(209)	–	85,000
Fixed interest rate	4.69	479,352	–	(6,352)	–	473,000
Total		1,329,954	–	(6,561)	–	1,323,393

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

(v) Liquidity risk management (Cont'd)

Liquidity and interest risk analyses (Cont'd)

Financial liabilities (Cont'd)

	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
COMPANY						
December 31, 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
December 31, 2017						
Non-interest bearing	–	48,583	334,687	–	–	383,270
Variable interest rate	3.86	255	7,128	–	(767)	6,616
Fixed interest rate	20.80	73,334	572,572	–	(293,337)	352,569
		122,172	914,387	–	(294,104)	742,455
January 1, 2017						
Non-interest bearing	–	38,684	–	–	–	38,684

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(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
	December 31, 2018	December, 31, 2017	January 1, 2017				
	RMB'000	RMB'000	RMB'000				
Financial assets at fair value through other comprehensive income – unquoted equity shares	2,936	–	–	Level 3	Market comparable approach	Discount for lack of marketability determined by reference to the share price of listed entities in similar industries.	The higher the discount, the lower the fair value.
Financial assets at fair value through other comprehensive income – unquoted equity shares	8,782	–	–	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.	A 10% increase / decrease in the discount rate will decrease / increase the fair value by RMB 90,000.
Financial assets at fair value through other comprehensive income – notes receivables	97,278	–	–	Level 3	Discounted cash flow	Discount rate taking into account the time value of money	The higher the discount rate, the lower the fair value.
Available-for-sale investment – unquoted equity shares	–	9,782	–	Level 3 [(1)]	Net assets [(1)]	Assets and liabilities of the entity	Favourable (adverse) change in net assets will increase (decrease) fair value

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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

	Fair value as at			Fair value hierarchy	Valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value
	December 31, 2018 RMB'000	December, 31, 2017 RMB'000	January 1, 2017 RMB'000				
Financial liabilities at fair value through profit or loss – convertible bonds - derivative liability component (Note 24)	208,168	334,687	–	Level 2	Option model	N/A	N/A
Financial liabilities at fair value through profit or loss – warrants (Note 25)	8,997	–	–	Level 2	Option model	N/A	N/A

(1) Unquoted equity shares do not have a quoted market price in active market and management is of the view that the net assets of the entity is a reasonable approximation of its fair value due to the nature of the assets and liabilities of the entity.

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)) 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	
	2018 RMB'000	2017 RMB'000
Sale of goods	1,761	1,855
Technology development fees	1,897	1,597
Staff costs and benefits	798	1,016
Rental expense	3,472	3,012
Process fee	3,845	–
Purchase of raw materials	659	2,230

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		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Cash and bank balances	685,306	902,608	281,277	81,580	62,334	3,522

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% (December 31, 2017 : 0.32%, January 1, 2017 : 0.33%) per annum.

7 PLEDGED BANK DEPOSITS

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Pledged bank deposits	112,381	88,476	69,218

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% (December 31, 2017 : 0.30% to 3.30%, January 1, 2017: 0.30% to 3.30%) per annum.

8 TRADE RECEIVABLES AND CONTRACT ASSETS

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Outside parties	788,891	859,815	753,457
Contract assets (Note 11)	448,817	436,253	312,755
Loss allowance	(46,168)	(31,912)	(49,448)
Net	1,191,540	1,264,156	1,016,764
Related parties (Note 5)	–	–	1,517
Total	1,191,540	1,264,156	1,018,281

The average credit period for trade receivables is 180 days (December 31, 2017 : 180 days, January 1, 2017: 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, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

8 TRADE RECEIVABLES AND CONTRACT ASSETS (Cont'd)

The Group has adopted SFRS(I) 9 *Financial instruments* on January 1, 2018 and has classified the notes receivables as financial assets at fair value through other comprehensive income ("FVTOCI") accordingly, as disclosed in Note 14.

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						
December 31, 2018	< 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	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

	GROUP						
December 31, 2017	< 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
Previously under FRS 39							
Estimated total gross carrying amount at default	1,031,294	59,461	116,128	50,281	24,388	14,516	1,296,068
Allowance for doubtful trade receivables	–	(20)	(1,929)	(5,487)	(13,346)	(11,130)	(31,912)
							1,264,156

	GROUP						
January 1, 2017	< 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
Previously under FRS 39							
Estimated total gross carrying amount at default	734,907	152,083	91,220	52,646	25,983	10,890	1,067,729
Allowance for doubtful trade receivables	–	(85)	(2,870)	(12,731)	(25,500)	(8,262)	(49,448)
							1,018,281

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:

	Lifetime ECL credit–impaired		
	Individually assessed RMB'000	Collectively assessed RMB'000	Total RMB'000
Group			
Balance as at December 31, 2017	–	31,912	31,912
Effects of adoption of SFRS(I) 9	–	1,926	1,926
Balance as at January 1, 2018 (as restated)	–	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

Previously under FRS 39 (before January 1, 2018)

Allowances made for irrecoverable amounts of trade receivables are recognised in profit or loss when there is objective evidence that the asset is impaired. Specific allowance is made for trade receivables that are unlikely to be collected.

The table below shows the movements in the allowances for doubtful trade receivables previously recorded under FRS 39 before January 1, 2018:

	RMB'000
Group	
Movements in the allowances for doubtful trade receivables:	
Balance as at January 1, 2017	49,448
Amounts written off	(2,748)
Amounts recovered	(32,907)
Charge to profit or loss	18,119
Balance as at December 31, 2017	31,912

9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP			COMPANY		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Advance payments for purchases	241,492	237,205	87,350	–	–	–
Deposits and prepayments	42,644	53,780	31,069	–	–	–
Related parties (Note 5)	–	–	211	–	–	–
Amounts due from subsidiaries	–	–	–	225,819	57,825	34,641
Advances to:						
Staff	4,416	8,971	7,118	–	–	–
Non-controlling shareholder of a subsidiary (Note 5)	–	739	769	–	–	–
Input tax recoverable	108,971	83,057	–	–	–	–
Others	7,953	6,564	2,853	125	125	123
Total	405,476	390,316	129,370	225,944	57,950	34,764
Less:						
Loss allowance	(2,630)	(2,708)	(3,185)	–	–	–
Net	402,846	387,608	126,185	225,944	57,950	34,764
Presentation on statement of financial position:						
Current assets	390,179	363,804	117,650	27,144	28,347	14,764
Non-current assets	12,667	23,804	8,535	198,800	29,603	20,000
Total	402,846	387,608	126,185	225,944	57,950	34,764

Included in amounts due from subsidiaries are loans to subsidiaries as follows:

- Loan to a subsidiary amounting to RMB10,000,000 (December 31, 2017 : RMB20,000,000, January 1, 2017: RMB30,000,000) is non-trade in nature, unsecured and bears variable interest referenced to the rate quoted by the People's Bank of China; and RMB10,000,000 is due annually on January 20 of each subsequent year.

- Loan to a subsidiary amounting to RMBNil (December 31, 2017 : RMB32,671,000, January 1, 2017: RMBNil) is non-trade in nature, unsecured and bears interest of 6% per annum, and is repayable over 3 yearly instalments up till July 19, 2020. Full repayment has been made during the year.

- Loan to a subsidiary amounting to RMB141,929,096 (December 31, 2017 : RMBNil, January 1, 2017: RMBNil) is non-trade in nature, unsecured and bears interest of 6% per annum, and consist of two repayment schedule repayable over 3 yearly instalments up till April 15, 2023 and November 14, 2023 respectively.

Staff advances and advances to non-controlling interest shareholders (related parties) are 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:

	Lifetime ECL – credit-impaired RMB'000
Group	
Balance as at December 31, 2017	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

Previously under FRS 39 (before January 1, 2018)

Allowances made for irrecoverable amounts of other receivables are recognised in profit or loss when there is objective evidence that the asset is impaired.

	RMB'000
Group	
Balance as at January 1, 2017	3,185
Amounts recovered	(477)
Balance as at December 31, 2017	2,708

10 INVENTORIES

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
At cost less impairment allowances:			
Raw materials and consumables	154,535	115,678	58,506
Work-in-progress	345,327	225,255	148,181
Finished goods	–	1,829	3,082
Total	499,862	342,762	209,769

Inventories are stated net of impairment allowances.

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Movement in allowances for inventories:			
At beginning of year	22,735	22,201	16,605
Charge to profit or loss	7,066	5,789	7,593
Reversal of allowance, upon sale *	(10,881)	(5,255)	(1,997)
At end of year	18,920	22,735	22,201

* Previous write-downs have been reversed as a result of inventories sold above carrying amounts.

11 CONTRACT ASSETS

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Contract assets (Note 8)	448,817	436,253	312,755

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.

The Group has applied the requirements of SFRS(I) 9 as at January 1, 2018 and under SFRS(I) 15, revenue recognised prior to the date on which it is invoiced to the customer is recognised as a contract asset. This balance was previously recognised as part of trade receivables and so has been reclassified to contract assets. There was no impact on the statement of profit or loss as a results of these reclassifications.

At December 31, 2018, the carrying amount of retention monies held by customers for contract work amounted to RMB240,546,000 (December 31, 2017 : RMB190,352,000, January 1, 2017: RMB180,744,000).

The ECL on contract assets is determined and disclosed in Note 8.

12 LAND USE RIGHTS

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Cost:			
At beginning of the year	215,479	187,289	157,289
Additions	33,717	993	30,000
Arising from acquisition of a subsidiary (Note 38)	64,513	27,197	–
At end of the year	313,709	215,479	187,289
Accumulated amortisation:			
At beginning of the year	16,895	13,075	9,580
Charge to profit or loss (Note 34)	5,479	2,730	1,755
Capitalised in intangible assets – concession service arrangement	–	1,090	1,740
At end of the year	22,374	16,895	13,075
Carrying amount	291,335	198,584	174,214
Presentation in statement of financial position:			
Current assets	5,822	4,594	3,748
Non-current assets	285,513	193,990	170,466
Total	291,335	198,584	174,214

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 RMB213,921,000 (December 31, 2017 : RMB147,741,440, January 1, 2017: RMB123,216,038) are pledged to secure banking facilities granted to the subsidiaries.

13 PROPERTY, PLANT AND EQUIPMENT

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
Cost:							
At January 1, 2017	201,543	25,869	131,995	25,041	24,127	17,519	426,094
Additions	16,742	5,211	20,476	3,351	2,565	4,023	52,368
Arising from acquisition of subsidiaries (Note 38)	88,094	–	115,803	1,703	976	34	206,610
Disposals	–	–	(1,042)	(122)	(1,383)	–	(2,547)
Transfer	154	–	–	434	–	(588)	–
At December 31, 2017	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 38)	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
Accumulated depreciation:							
At January 1, 2017	54,513	18,071	62,283	16,222	15,811	1,422	168,322
Depreciation	13,025	4,378	11,811	2,631	2,569	–	34,414
Disposals	–	–	(492)	(90)	(1,196)	–	(1,778)
At December 31, 2017	67,538	22,449	73,602	18,763	17,184	1,422	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	108,332	22,304	17,843	1,422	252,246
Impairment loss:							
At January 1, 2017, December 31, 2017 and December 31, 2018	–	–	7,553	11	–	–	7,564
Carrying amount:							
At December 31, 2018	425,267	18,283	390,757	16,141	11,302	8,063	869,813
At December 31, 2017	238,995	8,631	186,077	11,633	9,101	19,566	474,003
At January 1, 2017	147,030	7,798	62,159	8,808	8,316	16,097	250,208

At the end of the reporting period, buildings with carrying amount of RMB258,757,000 (December 31, 2017 : RMB98,695,710, January 1, 2017: RMB129,498,472) are pledged to secure banking facilities and loans granted to the Group.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Investments in equity instruments designated as at FVTOCI:			
Unquoted equity shares	8,782	–	–
Unquoted equity shares arising from acquisition of a subsidiary	2,936	–	–
Investments in debt instruments classified as at FVTOCI:			
Notes receivables	97,278	–	–
Total financial assets at FVTOCI	108,996	–	–
Presentation on statement of financial position			
Current assets	97,278	–	–
Non-current assets	11,718	–	–
Total	108,996	–	–

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.

The Group has applied the requirements of SFRS(I) 9 as at January 1, 2018 and has classified the unquoted equity investments as financial assets at fair value through other comprehensive income ("FVTOCI") accordingly. The unquoted equity investments was previously classified as available-for-sale investment in accordance with FRS 39, as disclosed in Note 15.

No investment in equity investments measured at FVTOCI has been disposed of during the current reporting period.

Investments in debt instruments

Investments in debt instruments relates to notes receivables which 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.

The Group has applied SFRS(I) 9 on January 1, 2018 and has classified the notes receivables as financial assets at fair value through other comprehensive income ("FVTOCI") accordingly. These notes receivables were previously classified as trade receivables in accordance with FRS39, as disclosed in Note 8.

For purpose of impairment assessment, the notes 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).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (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 AVAILABLE-FOR-SALE INVESTMENT

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Unquoted equity shares, at fair value	–	9,782	–

The investments in unquoted equity investments represent 1.7% unquoted equity interest in a company incorporated in the People's Republic of China. The Group is of the view that the net assets of the entity is a reasonable approximation of its fair value due to the nature of the assets and liabilities of the entity.

The Group has adopted SFRS(I) 9 *Financial Instruments* on January 1, 2018 and has classified the unquoted equity investments as financial assets at fair value through other comprehensive income ("FVTOCI") accordingly, as disclosed in Note 14.

16 SUBSIDIARIES

	COMPANY		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Unquoted equity shares, at cost	606,285	606,285	*
Financial guarantee contracts	1,850	1,850	1,850
Amount due from subsidiaries	347,423	343,767	323,626
Total	955,558	951,902	325,476

* *Amount less than RMB1,000*

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.

16 SUBSIDIARIES (Cont'd)

Details of the subsidiaries are as follows:

Subsidiaries	Cost of investments			Effective equity interest and voting power held			Place of incorporation/ operation	Principal activities
	Dec 31, 2018 RMB'000	Dec 31, 2017 RMB'000	Jan 1, 2017 RMB'000	Dec 31, 2018 %	Dec 31, 2017 %	Jan 1, 2017 %		
Held by Company:								
Sunpower International Holding (Singapore) Pte. Ltd.	606,285	606,285	*	100.0	100.0	100.0	Singapore	Investment holding
Sun Superior Holding Pte. Ltd.	*	*	*	100.0	100.0	100.0	Singapore	Investment holding
Held by subsidiaries:								
Jiangsu Sunpower Machinery Manufacture Co., Ltd. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd.)	–	–	–	100.0	100.0	100.0	PRC	Manufacture and sale of pressure vessels products
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	100.0	PRC	Investment holding
Sino-Sunpower Technology Inc. (Shares held by Sunpower International Holding (Singapore) Pte. Ltd.)	–	–	–	100.0	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	100.0	PRC	Environment and new energy-related business activities
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	100.0	PRC	Investment in clean energy business related activities

16 SUBSIDIARIES (Cont'd)

Subsidiaries	Cost of investments			Effective equity interest and voting power held			Place of incorporation/ operation	Principal activities
	Dec 31, 2018 RMB'000	Dec 31, 2017 RMB'000	Jan 1, 2017 RMB'000	Dec 31, 2018 %	Dec 31, 2017 %	Jan 1, 2017 %		
Nanjing Shengnuo Heat Pipe Co., Ltd. (Shares held by Sun Superior Holding Pte. Ltd. and Sunpower Technology (Jiangsu) Co., Ltd.)	–	–	–	70.0	70.0	64.5	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
Jiangsu Sunpower Energy-Saving Technology Co., Ltd. (Shares held by Jiangsu Sunpower Machinery Manufacture Co. Ltd.)	–	–	–	70.0	70.0	70.0	PRC	Production and sale of foam glass products
Jiangsu Sunpower Technology Co., Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.)	–	–	–	100.0	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
Jiangsu Sunpower Pressure Vessels Equipment Manufacturing Co. Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.)	–	–	–	100.0	100.0	100.0	PRC	Manufacturing and sale of pressure vessels products
Quanjiao Sunpower Clean Energy Co. Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co. Ltd.)	–	–	–	100.0	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	100.0	PRC	Designing, manufacturing and sale of pipe racks and hangers

16 SUBSIDIARIES (Cont'd)

Subsidiaries	Cost of investments			Effective equity interest and voting power held			Place of incorporation/ operation	Principal activities
	Dec 31, 2018 RMB'000	Dec 31, 2017 RMB'000	Jan 1, 2017 RMB'000	Dec 31, 2018 %	Dec 31, 2017 %	Jan 1, 2017 %		
Jiangsu Fuyou Industry Co., Ltd. (Shares held by Jiangsu Sunpower Pipe-Line Engineering Technology Co., Ltd.)	–	–	–	100.0	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
Hebei Changrun Environmental Ltd. (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.)	–	–	–	100.0	100.0	100.0	PRC	Central heating and power generation
Shanghai Sunpower Leqian Energy Conservation & Environmental protection Co., Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.)	–	–	–	51.0	51.0	51.0	PRC	Low temperature waste-heat recovery system business activities
Jiangsu Sunpower Clean Energy Co., Ltd. (Shares held by Sunpower Technology (Jiangsu) Co., Ltd.)	–	–	–	100.0	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	100.0	PRC	Investment in clean energy business related activities
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	95.0	PRC	Supply of steam, heat gas and electricity

16 SUBSIDIARIES (Cont'd)

Subsidiaries	Cost of investments			Effective equity interest and voting power held			Place of incorporation/ operation	Principal activities
	Dec 31, 2018 RMB'000	Dec 31, 2017 RMB'000	Jan 1, 2017 RMB'000	Dec 31, 2018 %	Dec 31, 2017 %	Jan 1, 2017 %		
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
Xinjiang Sunpower Clean Energy Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.)	–	–	–	100.0	100.0	–	PRC	Supply of heat and electricity
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
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
Shandong Yangguang Engineering Design Co., Ltd (Shares held by Jiangsu Sunpower Technology) Co., Ltd.)	–	–	–	80.0	80.0	–	PRC	Provision of design, consultancy and technology services
Zhangjiagang Yongxing Thermal Power Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd.) (2)	–	–	–	100.0	–	–	PRC	Provision of steam to industrial enterprises and sale of electricity
Jiangsu Hengtong Electricity Sales Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy Co., Ltd. and Zhangjiagang Yongxing Thermal Power Co., Ltd) (2)	–	–	–	100.0	–	–	PRC	Provision of electricity

16 SUBSIDIARIES (Cont'd)

Subsidiaries	Cost of investments			Effective equity interest and voting power held			Place of incorporation/ operation	Principal activities
	Dec 31, 2018 RMB'000	Dec 31, 2017 RMB'000	Jan 1, 2017 RMB'000	Dec 31, 2018 %	Dec 31, 2017 %	Jan 1, 2017 %		
Xintai Zhengda Thermoelectric Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.) (2)	–	–	–	71.0	–	–	PRC	Provision of steam and heat and sale of electricity
Yingtan Sunpower Clean Energy Co., Ltd (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd. and Sunpower International Holding (Singapore) Pte. Ltd.) (1)	–	–	–	100.0	–	–	PRC	Provision of heat and electricity to enterprises
Yihuang Sunpower Clean Energy Co., Ltd (Shares held by Sunpower Clean Energy Investment (Jiangsu) Co., Ltd.) (1)	–	–	–	100.0	–	–	PRC	Provision of heat and electricity to enterprises
Ruijin 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
Wuhu Sunpower Clean Energy Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.) (1)	–	–	–	100.0	–	–	PRC	Provision of heat and electricity to enterprises
Tongling Sunpower Clean Energy Co., Ltd (Shares held by Jiangsu Sunpower Clean Energy) Co., Ltd.) (1)	–	–	–	100.0	–	–	PRC	Provision of heat and electricity to enterprises

16 SUBSIDIARIES (Cont'd)

Subsidiaries	Cost of investments			Effective equity interest and voting power held			Place of incorporation/ operation	Principal activities
	Dec 31, 2018 RMB'000	Dec 31, 2017 RMB'000	Jan 1, 2017 RMB'000	Dec 31, 2018 %	Dec 31, 2017 %	Jan 1, 2017 %		
Dingyuan 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

* Cost of investment amounted to S$1.00 (equivalent to RMB5.07).

(1) Newly incorporated in 2018.

(2) Acquired in 2018 (Note 38).

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		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 31, 2017 RMB'000
Amount paid on changes in ownership interest in a subsidiary	–	999	–
Non-controlling interest acquired	–	(605)	–
Difference recognised in equity (Note 28)	–	394	–

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 wholly-owned subsidiaries		
		Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Held by Company:				
Investment holding	Singapore	2	2	2
Held by subsidiaries:				
Manufacture and sales of pressure vessels products	PRC	3	3	3
Investment holding	PRC	1	1	1
Central heating and power generation	PRC	1	1	1
Environment and new energy-related business activities	PRC	4	4	4
Manufacturing, installation and sale of heavy machinery	PRC	1	1	1
Sales, technical support and after sale services	U.S.A	1	1	1
Designing, manufacturing and sale of pipe racks and hangers	PRC	1	1	1
Manufacturing and trading of heat pipes	PRC	1	1	1
Production and sale of foam glass products	PRC	1	1	1
Low temperature waste-heat recovery system business activities	PRC	1	1	1
Provision of design, consultancy and technology services	PRC	1	1	–
Supply of steam/ heat/ electricity	PRC	15	6	2
		33	24	19

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		
		December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Nanjing Shengnuo Heat Pipe Co., Ltd	PRC	30.0%	30.0%	35.5%	5,376	1,688	3,822	28,095	22,719	24,831
Shantou Sunpower Keying Thermal Power Co., Ltd	PRC	49.0%	49.0%	–	–	–	–	127,400	63,700	–
Qingdao Xinyuan Thermal Power Co., Ltd	PRC	15.0%	15.0%	–	4,870	2,872	–	37,586	36,323	–
Shandong Yangguang Engineering Design Institute Co., Ltd	PRC	20.0%	20.0%	–	4,472	844	–	22,312	17,844	–
Xintai Zhengda Thermoelectric Co.,Ltd	PRC	29.0%	–	–	(2,733)	–	–	24,427	–	–
Individually immaterial subsidiaries with non-controlling interests					50	(325)	(319)	597	536	862
					12,035	5,079	3,503	240,417	141,122	25,693

16 SUBSIDIARIES (Cont'd)

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		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	316,867	271,560	289,879	181,127	114,899	–	92,710	134,682	–	637,610	240,776	–
Non-current assets	47,137	49,954	42,705	130,611	15,847	–	228,515	239,267	–	81,791	81,720	–
Current liabilities	(270,356)	(246,761)	(261,561)	(51,738)	(386)	–	(51,582)	(113,502)	–	(607,841)	(233,276)	–
Non-current liabilities	–	–	–	–	(360)	–	(19,071)	(18,297)	–	–	–	–
Equity attributable to owners of the Company	65,553	52,034	46,192	132,600	66,300	–	212,986	205,827	–	89,248	71,376	–
Non-controlling interests	28,095	22,719	24,831	127,400	63,700	–	37,586	36,323	–	22,312	17,844	–
Revenue	263,724	220,107	205,672	–	–	–	179,715	42,129	–	489,212	159,905	–
Expenses	(245,804)	(214,479)	(194,905)	–	–	–	(147,246)	(22,981)	–	(466,852)	(155,685)	–
Profit for the year, representing total comprehensive income for the year	17,920	5,628	10,767	–	–	–	32,469	19,148	–	22,360	4,220	–
Profit attributable to owners of the Company	12,544	3,940	6,945	–	–	–	27,599	16,276	–	17,888	3,376	–
Profit attributable to the non-controlling interests	5,376	1,688	3,822	–	–	–	4,870	2,872	–	4,472	844	–
Profit for the year	17,920	5,628	10,767	–	–	–	32,469	19,148	–	22,360	4,220	–
Total comprehensive income attributable to owners of the Company	12,544	3,940	6,945	–	–	–	27,599	16,276	–	17,888	3,376	–
Total comprehensive income attributable to the non-controlling interests	5,376	1,688	3,822	–	–	–	4,870	2,872	–	4,472	844	–
Total comprehensive income for the year	17,920	5,628	10,767	–	–	–	32,469	19,148	–	22,360	4,220	–
Dividends paid to non-controlling interests	–	3,195	–	–	–	–	3,600	–	–	–	–	–
Net cash inflow from operating activities	14,374	4,939	10,938	–	–	–	11,122	51,446	–	554	4,922	–
Net cash outflow from investing activities	(815)	(892)	(227)	(170,618)	(15,487)	–	(3,242)	–	–	(294)	(92)	–
Net cash (outflow) inflow from financing activities	(5,958)	3,343	(8,104)	190,000	40,292	–	(47,789)	(561)	–	–	–	–
Net cash inflow (outflow)	7,601	7,390	2,607	19,382	24,805	–	(39,909)	50,885	–	260	4,830	–

16 SUBSIDIARIES (Cont'd)

	Xintai Zhengda Thermoelectric Co., Ltd		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Current assets	62,276	–	–
Non-current assets	253,386	–	–
Current liabilities	(191,373)	–	–
Non-current liabilities	(37,000)	–	–
Equity attributable to owners of the Company	62,862	–	–
Non-controlling interests	24,427	–	–
Revenue	70,575	–	–
Expenses	(76,948)	–	–
Loss for the year, representing total comprehensive income for the year	(6,373)	–	–
Loss attributable to owners of the Company	(3,640)	–	–
Loss attributable to the non-controlling interests	(2,733)	–	–
Profit for the year	(6,373)	–	–
Total comprehensive income attributable to owners of the Company	(3,640)	–	–
Total comprehensive income attributable to the non-controlling interests	(2,733)	–	–
Total comprehensive income for the year	(6,373)	–	–
Dividends paid to non-controlling interests	–	–	–
Net cash inflow from operating activities	31,249	–	–
Net cash (outflow) from investing activities	(95,683)	–	–
Net cash inflow from financing activities	54,149	–	–
Net cash outflow	(10,285)	–	–

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Non-controlling interests:			
- Nanjing Shengnuo Heat Pipe Co., Ltd	28,095	22,719	24,831
- Shantou Sunpower Keying Thermal Power Co., Ltd	127,400	63,700	–
- Qingdao Xinyuan Thermal Power Co., Ltd	37,586	36,323	–
- Shandong Yangguang Engineering Design Institute Co., Ltd	22,312	17,844	–
- Xintai Zhengda Thermoelectric Co., Ltd	24,427	–	–
- Others	597	536	862
Total non-controlling interests	240,417	141,122	25,693

17 ASSOCIATE

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Cost of investment in associate	10,290	10,290	–
Share of post-acquisition loss	(1,033)	–	–
	9,257	10,290	–

Details of the associate is as follows:

Name of associate	Principal activities/Place of incorporation and operation	Effective interest and voting power held		
		December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
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		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Current assets	17,246	18,173	–
Non-current assets	42,851	2,900	–
Current liabilities	(30,326)	(73)	–
Non-current liabilities	(10,880)	–	–
Net assets	18,891	21,000	–
Group's share of associate's net assets	9,257	10,290	–

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Revenue	9,823	–	–
Loss for the year	(2,108)	–	–
Group's share of associate's loss for the year	(1,033)	–	–

18 INTANGIBLE ASSETS

Group	Technical know-how RMB'000	Concession service arrangement RMB'000	Trademark RMB'000	Licenses RMB'000	Total RMB'000
Cost:					
At January 1, 2017	4,907	633,816	2,924	–	641,647
Additions	–	581,674	–	–	581,674
Arising from acquisition of a subsidiary (Note 38)	–	–	–	79,616	79,616
At December 31, 2017	4,907	1,215,490	2,924	79,616	1,302,937
Additions	–	416,908	–	–	416,908
Arising from acquisition of a subsidiary (Note 38)	–	15,432	–	395,236	410,668
At December 31, 2018	4,907	1,647,830	2,924	474,852	2,130,513
Accumulated amortisation:					
At January 1, 2017	3,354	–	2,924	–	6,278
Amortisation for the year	2,428	11,952	–	–	14,380
Adjustment of past amortisation due to reduction of cost through government grant	(1,447)	–	–	–	(1,447)
At December 31, 2017	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
Carrying amount:					
At December 31, 2018	–	1,603,451	–	470,277	2,073,728
At December 31, 2017	572	1,203,538	–	79,616	1,283,726
At January 1, 2017	1,553	633,816	–	–	635,369

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 31) 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	BOO	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		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
(a) Deferred tax assets			
At beginning of year	14,194	13,227	12,073
Credit to profit or loss	10,898	967	1,154
Credit to other comprehensive income for the year	950	–	–
Arising from acquisition of a subsidiary (Note 38)	2,629	–	–
At end of year	28,671	14,194	13,227

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, 2017	7,859	2,999	2,369	–	–	–	–	–	13,227
(Charge) Credit to profit or loss for the year	(2,702)	83	(449)	4,789	–	(754)	–	–	967
At December 31, 2017	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 38)	–	–	2,629	–	–	–	–	–	2,629
At December 31, 2018	7,202	2,510	2,977	14,207	825	–	482	468	28,671

The tax losses carryforwards from PRC entities will expire after 5 years from the date of tax losses incurred.

19 DEFERRED TAX ASSETS (LIABILITIES) (Cont'd)

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
(b) Deferred tax liabilities			
At beginning of year	(36,401)	(16,120)	(8,071)
Charge to profit or loss	(3,334)	(1,984)	(8,049)
Arising from acquisition of a subsidiary (Note 38)	(108,455)	(18,297)	–
At end of year	(148,190)	(36,401)	(16,120)

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 RMB'000	Fair value gain on assets acquired through acquisition of subsidiaries RMB'000	Portion of construction margin for BOT project yet to be subject to current tax RMB'000	Total RMB'000
At January 1, 2017	3,954	4,839	7,327	16,120
Charge to profit or loss for the year	–	–	1,984	1,984
Arising from acquisition of a subsidiary (Note 38)	–	18,297	–	18,297
At December 31, 2017	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 38)	–	108,455	–	108,455
At December 31, 2018	6,099	131,591	10,500	148,190

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		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Hebei Changrun Environmental Ltd.	5,483	5,483	5,483
Qingdao Xinyuan Thermal Power Co., Ltd. (Note a)	20,423	18,631	–
Zhangjiagang Yongxing Thermal Power Co., Ltd (Note 38)	309,863	–	–
	335,769	24,114	5,483

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 13.13% (December 31, 2017 : 7.19%, January 1, 2017 : Nil%) and a terminal growth rate ranging from Nil% to 2% (December 31, 2017 : Nil%, January 1, 2017 : Nil%) 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.

Note (a)

The purchase price allocation of the acquisition of Qingdao Xinyuan Thermal Power Co., Ltd. in the reporting period year ended December 31, 2017 were provisional as the acquisition occurred close to the end of the reporting period. Upon completion of the accounting for the business combination, the consideration was RMB 209,976,000, an increase of RMB 1,792,000 compared to the provisional consideration.

There is a corresponding increase in the goodwill of RMB 1,792,000, to give total goodwill arising from the acquisition of RMB20,423,000. The 2017 comparative information has not been restated to reflect this adjustment as management is of the opinion that the adjustment is not material to the financial statements.

21 TRADE PAYABLES

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Outside parties	1,160,638	1,009,497	595,330
Deposits from customers	449,928	351,673	198,618
Notes payables	106,544	15,025	50,998
Related parties (Note 5)	–	–	1,855
Total	1,717,110	1,376,195	846,801

The average credit period for purchases of goods is 180 days (December 31, 2017 : 180 days, January 1, 2017 : 180 days).

22 OTHER PAYABLES

	GROUP			COMPANY		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Related parties (Note 5)	9,965	8,235	7,358	–	–	–
Outside parties	89,748	65,864	35,521	–	–	–
Accruals and other liabilities	79,439	55,790	41,030	42,595	28,844	18,945
Consideration payable for acquisition of subsidiaries (Note 38)	511,134	184,434	–	–	–	–
Accruals for payroll	61,914	39,058	33,301	–	–	–
Value-added taxes and other tax liabilities	34,203	15,107	19,308	–	–	–
Government grants received yet to be applied pending satisfaction of conditions	11,892	11,027	51,163	–	–	–
Subsidiaries (Note 16)	–	–	–	26,808	19,739	19,739
Total	798,295	379,515	187,681	69,403	48,583	38,684

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		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Bank loan A	82,358	6,616	–	82,358	6,616	–
Bank loans of Subsidiary A	1,185,975	1,012,200	489,000	–	–	–
Bank loans of Subsidiary B	64,000	66,000	69,000	–	–	–
Total borrowings	1,332,333	1,084,816	558,000	82,358	6,616	–
Presentation in statement of financial position:						
Current liabilities payable within one year	492,904	517,200	401,000	41,179	–	–
Non-current liabilities	839,429	567,616	157,000	41,179	6,616	–
Total	1,332,333	1,084,816	558,000	82,358	6,616	–

(a) Bank loan A was obtained by the Company in 2017 and the Company made a further drawdown during the year. The loan is guaranteed by certain subsidiaries and bears weighted average interest rate of 4.38% (December 31, 2017 : 3.86%, January 1, 2017: Nil%) per annum. Repayments will continue until December 18, 2020.

(b) The bank loans of Subsidiary A are:

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Secured by building and land use rights of the subsidiary and guaranteed by the Company	645,375	640,200	193,000
Guaranteed by another subsidiary	245,100	234,000	229,000
Guaranteed by the Company	70,000	82,000	36,000
Secured by letter of credit	–	–	25,000
Secured by former shareholder of subsidiary	219,500	50,000	–
Unsecured	6,000	6,000	6,000
Total	1,185,975	1,012,200	489,000

The bank loans bear weighted average effective interest rate of 4.98% (2017 : 4.75%, January 1, 2017: 4.71%) per annum.

23 BORROWINGS (Cont'd)

(c) The bank loans of Subsidiary B, which are repayable within 12 months, are:

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Secured by land use rights and buildings and guaranteed by other subsidiaries	40,000	30,000	40,000
Guaranteed by other subsidiaries	24,000	36,000	29,000
Total	64,000	66,000	69,000

The bank loans bear weighted average effective interest rate of 5.01% (December 31, 2017 : 5.22%, January 1, 2017: 4.96%) per annum.

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, 2018 RMB'000	Financing cash flows [i] RMB'000	Acquisition of subsidiaries (Note 38) 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

			Non-cash changes				
	January 1, 2017 RMB'000	Financing cash flows [i] RMB'000	Acquisition of subsidiary (Note 38) RMB'000	Fair value changes (Note 24) RMB'000	Foreign exchange movement RMB'000	Other Changes [ii] RMB'000	December 31, 2017 RMB'000
Borrowings (Note 23)	558,000	460,616	66,200	–	–	–	1,084,816
Convertible bonds (Note 24)	–	731,667	–	(69,338)	(18,054)	42,981	687,256
	558,000	1,192,283	66,200	(69,338)	(18,054)	42,981	1,772,072

(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		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Debt host liability component, at amortised cost	521,274	352,569	–
Derivative liability component, at fair value	208,168	334,687	–
Total	729,442	687,256	–

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.

During the year, 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, 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		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
CB1			
Nominal value of CB issued	757,856	757,856	–
Less: Transaction costs	(26,342)	(26,189)	–
Net value of CB issued	731,514	731,667	–
Foreign exchange loss (gain)	990	(18,054)	–
Cumulative interest accrued (Note 33)	139,837	58,224	–
Fair value gain on CB	(217,471)	(69,338)	–
Total	654,870	702,499	–
Less: Interest payables included in accruals (Note 22)	(16,171)	(15,243)	–
Less: Interest paid to bondholders	(17,394)	–	–
Debt host and derivative liability component at end of year	621,305	687,256	–

The interest accrued is calculated by applying an effective interest rate of 20.8% (December 31, 2017 : 20.8%, January 1, 2017: Nil%) to the liability component.

24 CONVERTIBLE BONDS (Cont'd)

	GROUP AND COMPANY		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
CB2			
Nominal value of CB issued	138,285	–	–
Less: Transaction costs	(14,869)	–	–
Net value of CB issued	123,416	–	–
Foreign exchange gain	(628)	–	–
Cumulative interest accrued (Note 33)	3,339	–	–
Fair value gain on CB	(17,257)	–	–
Total	108,870	–	–
Less: Interest payables included in accruals (Note 22)	(733)	–	–
Debt host and derivative liability component at end of year	108,137	–	–

The interest accrued is calculated by applying an effective interest rate of 19.17% (December 31, 2017 : Nil%, January 1, 2017: Nil%) to the liability component.

Management estimates that the carrying amount of the liability component of CB1 and CB2 as at December 31, 2018 approximates its fair value.

25 WARRANTS

	GROUP AND COMPANY		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Fair value of warrants			
Warrants at date of issuance	13,897	–	–
Fair value gain on warrants	(4,900)	–	–
At end of the year	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% (December 31, 2017: N.A., January 1, 2017: N.A.), as follows:

	GROUP AND COMPANY		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Commitment fee at date of issuance	13,897	–	–
Foreign exchange gain during the period	606	–	–
Amortisation of commitment fee	(560)	–	–
At end of the year	13,943	–	–

26 SHARE CAPITAL

	GROUP AND COMPANY					
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	Number of ordinary shares of US$0.01 each					
	'000	'000	'000	US$'000	US$'000	US$'000
Authorised share capital:						
At beginning of the year	1,400,000	800,000	800,000	14,000	8,000	8,000
Increase of 600,000,000 ordinary shares of US$0.01 per share	–	600,000	–	–	6,000	–
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	1,400,000	800,000	23,000	14,000	8,000
	Number of ordinary shares					
	'000	'000	'000	RMB'000	RMB'000	RMB'000
Issued and fully paid up:						
At the beginning of the year	737,657	737,657	737,657	53,531	53,531	53,531
Exercise of share options (Note 29)	27,790	–	–	1,908	–	–
At end of the year	765,447	737,657	737,657	55,439	53,531	53,531

Fully paid ordinary shares carry one vote per share and a right to dividends as and when declared by the Company.

On March 3, 2017, the authorised capital was increased from US$8,000,000 divided into 800,000,000 shares of US$0.01 each to US$14,000,000 divided into 1,400,000,000 shares of US$0.01 each.

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.

27 SHARE PREMIUM

	GROUP AND COMPANY		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
At the beginning of the year	266,938	266,938	266,938
Additions during the year arising from issuance of shares from exercise of share options at a premium over the par value	14,247	–	–
Transfer from share option reserve arising from exercise of share options	7,433	–	–
At the end of the year	288,618	266,938	266,938

28 GENERAL RESERVES

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Capital reserve:			
At the beginning of the year	(394)	–	–
Effects of acquiring part of non-controlling interests in a subsidiary	–	(394)	–
At the end of the year	(394)	(394)	–
Statutory surplus reserve fund:			
At the beginning of the year	84,217	66,410	52,368
Transfer during the year from retained earnings	29,971	17,807	14,042
At the end of the year	114,188	84,217	66,410
Enterprise expansion fund:			
At the beginning and at the end of the year	4,098	4,098	4,098
Total	117,892	87,921	70,508

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.

29 SHARE OPTION RESERVE

	GROUP AND COMPANY					
	December 31, 2018		December 31, 2017		January 1, 2017	
	Number of share options ('000)	Exercise price RMB	Number of share options ('000)	Exercise price RMB	Number of share options ('000)	Exercise price RMB
Outstanding at the beginning of the year	59,220	0.53	59,220	0.53	59,220	0.53
Exercised during the year	(27,790)	0.53	–	–	–	–
Outstanding at the end of the year	31,430		59,220		59,220	

The Group and the Company recognised total expenses of RMB Nil (December 31, 2017 : RMB3,011,000, January 1, 2017: RMB7,931,000) related to equity-settled share-based payment transactions during the year.

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).

29 SHARE OPTION RESERVE (Cont'd)

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.

30 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.

Movement in investments revaluation reserves

	GROUP		
	December 31, 2018 RMB'000	December 31, 2017 RMB'000	January 1, 2017 RMB'000
Balance at beginning of year	–	–	–
Fair value loss on investments in equity instruments designated as at FVTOCI	1,845	–	–
Fair value loss on investments in debt instruments classified as at FVTOCI	1,119	–	–
Balance at end of year	2,964	–	–

31 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 42).

A disaggregation of the Group's revenue for the year is as follows:

	GROUP	
	2018	2017
	RMB'000	RMB'000
Segment revenue		
Sales of goods	1,405,035	988,654
Construction contracts	656,902	451,206
Revenue from service concession arrangements	458,708	359,750
Provision of utilities	711,673	114,342
Provision of other services	30,575	51,518
Total	3,262,893	1,965,470

	GROUP	
	2018	2017
	RMB'000	RMB'000
Timing of revenue recognition		
At a point of time:		
Sales of goods	1,405,035	988,654
Provision of utilities	711,673	114,342
	2,116,708	1,102,996
Over time:		
Construction contracts	656,902	451,206
Provision of other services	30,575	51,518
Revenue from service concession arrangements	458,708	359,750
	3,262,893	1,965,470

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.

31 REVENUE (Cont'd)

As permitted under SFRS(I) 1, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 is not disclosed, using the transition provisions of SFRS(I) 15.

	GROUP 2018 RMB'000
Construction contracts	183,089
Revenue from service concession arrangements	461,416
	644,505

32 OTHER OPERATING INCOME

	GROUP	
	2018 RMB'000	2017 RMB'000
Government grants	40,744	22,994
Interest income	6,145	12,236
Reversal of impairment loss on trade and other receivables subject to ECL	10,902	–
Reversal of impairment loss on trade and other receivables	–	33,384
Indemnity insurance	5,344	–
Others	5,301	5,234
Total	68,436	73,848

33 FINANCE COSTS

	GROUP	
	2018 RMB'000	2017 RMB'000
Interest expense on bank loans	61,824	33,551
Interest expense on convertible bonds (Note 24)	84,952	58,224
Total	146,776	91,775

34 PROFIT BEFORE INCOME TAX

(a) This has been arrived at after charging (crediting):

	GROUP	
	2018 RMB'000	2017 RMB'000
Amortisation of land use rights *	5,479	2,730
Amortisation of intangible assets *	37,574	14,380
Audit fees:		
- to auditors of the Company	1,111	924
- to other auditors	2,230	1,680
Non-audit fees:		
- to auditors of the Company	25	24
- to other auditors	400	–
Cost of inventories sold included in cost of sales	1,833,697	1,058,917
Defined contribution plans	44,732	25,823
Depreciation of property, plant and equipment	63,366	34,414
Directors' fees - Directors of the Company	1,297	1,538
Directors' remuneration - Directors of the Company	23,143	17,315
(Gain) loss on disposal of property, plant and equipment	(381)	20
(Reversal of) impairment loss on inventories, net of impairment (reversals)	(3,815)	534
Research and development expenses	97,454	52,833
Salaries and wages	296,755	228,125
Impairment loss on financial assets:		
- Impairment loss on trade and other receivables subject to ECL*	26,089	–
- Impairment loss on trade and other receivables*	–	18,119
- Reversal of impairment loss on trade and other receivables subject to ECL	(10,902)	–
- Reversal of impairment allowance on trade and other receivables	–	(33,384)

* included in other operating expenses

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the financial year were as follows:

	GROUP	
	2018 RMB'000	2017 RMB'000
Short-term benefits	27,501	21,149
Other staff benefits	427	465
Share-based payments	–	1,445
Total	27,928	23,059

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

35 INCOME TAX EXPENSE

Income tax recognised in profit or loss:

	GROUP	
	2018 RMB'000	2017 RMB'000
Current tax expense	56,228	27,227
Adjustments recognised in the current year in relation to the current tax of prior year	(1,645)	776
Deferred tax (Note 19)	7,564	(1,017)
Total tax expense	62,147	26,986

The income tax expense varied from the amount of income tax expense determined by applying the PRC income tax rate of 25% (2017: 25%) to profit before income tax as a result of the following differences:

	GROUP	
	2018 RMB'000	2017 RMB'000
Profit before income tax	394,702	177,835
Income tax expense calculated at PRC income tax rate of 25%	98,676	44,459
Tax effect of non-deductible items	5,009	7,133
Tax effect of income not taxable for tax purpose	(8,166)	–
Effect of tax exemption and tax incentives	(34,557)	(25,515)
Temporary differences previously not recognised	2,830	133
(Over) under provision of current tax in prior years	(1,645)	776
Income tax expense	62,147	26,986

(a) Jiangsu Sunpower Technology Co., Ltd. and Nanjing Shengnuo Heat Pipe Co., Ltd.

The above subsidiaries are foreign investment enterprises located in Nanjing, Jiangsu Province, PRC, where the statutory tax rate is 25%. In 2009, the two subsidiaries 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.

(b) Jiangsu Sunpower Pressure Vessels Equipment Manufacturing Co., Ltd. and Jiangsu Sunpower Pipeline 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.

36 EARNINGS PER SHARE

	GROUP	
	2018 RMB'000	2017 RMB'000
Earnings:		
Profit attributable to equity holders of the Company	320,520	145,770
Interest on convertible bonds (Note 33)	84,952	58,224
Earnings for the purposes of diluted earnings per share	405,472	203,994
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	738,258	737,657
Effect of dilutive potential ordinary shares from share options and convertible bonds	349,022	307,259
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	1,087,280	1,044,916
Basic earnings per share (RMB cents)	43.42	19.76
Diluted earnings per share (RMB cents)	37.29	19.52

37 DIVIDEND

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.

In 2017, a first and final tax exempt dividend of S$0.0012 per ordinary share totalling S$885,189 (equivalent to RMB4,393,000) was paid to shareholders in respect on the financial year ended December 31, 2016.

38 ACQUISITION OF SUBSIDIARIES

For the financial year ended December 31, 2018

(a) During the year, 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 does not give rise to any goodwill as the acquisition is accounted for as an acquisition of assets.

38 ACQUISITION OF SUBSIDIARIES (Cont'd)

(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.

The acquisition of Yongxing is a business combination accounted for under the acquisition method.

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	(27,160)
Cash consideration	66,502

38 ACQUISITION OF SUBSIDIARIES (Cont'd)

Assets acquired and liabilities assumed at the date of acquisition

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

38 ACQUISITION OF SUBSIDIARIES (Cont'd)

Net cash outflow on acquisition of subsidiaries

	Total RMB'000
Consideration paid in cash for acquisitions during the year [(1)]	318,365
Consideration paid in cash for acquisitions in the previous year [(2)]	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) The cash consideration of RMB186,226,000 (inclusive of interest), which remained unpaid as at December 31, 2017 was paid in 2018.

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 RMB401.7 million, and the profit for the year from continuing operations would have been RMB85.0 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, 2017

On November 9, 2017 and August 11, 2017, the Group acquired 85% and 80% of the issued share capital of Qingdao Xinyuan Thermal Power Co., Ltd ("Xinyuan") and Shandong Yangguang Engineering Design Institute Co., Ltd ("Yangguang Yuan") for a consideration of RMB208,183,700 and RMB68,000,000 respectively.

The acquisition of Xinyuan is a business combination accounted for under the acquisition method.

The acquisition of Yangguang Yuan does not give rise to any goodwill as the acquisition is accounted for as an acquisition of assets.

38 ACQUISITION OF SUBSIDIARIES (Cont'd)

Assets acquired and liabilities assumed at the date of acquisition

Qingdao Xinyuan Thermal Power Co., Ltd.

	Total RMB'000
Current assets	
Cash and cash equivalents	9,171
Trade receivables	8,386
Other receivables	61,992
Inventories	23,624
Non-current assets	
Land use rights	27,197
Property, plant and equipment	205,171
Current liabilities	
Trade payables	(26,197)
Other payables	(1,844)
Short term loan	(66,200)
Non-current liabilities	
Deferred tax liabilities	(18,297)
Assets acquired net of liabilities assumed	223,003

Goodwill arising on acquisition

Qingdao Xinyuan Thermal Power Co., Ltd

	Total RMB'000
Cash consideration	208,184
Non-controlling interest	33,450
Less: Fair value of identifiable net assets acquired	(223,003)
Goodwill arising on acquisition	18,631

38 ACQUISITION OF SUBSIDIARIES (Cont'd)

Assets acquired and liabilities assumed at the date of acquisition

Shandong Yangguang Engineering Design Institute Co., Ltd

	Total RMB'000
Current assets	
Trade receivables	3,861
Other receivables	84
Non-current assets	
Property, plant and equipment	1,439
Intangible assets	79,616
Assets acquired	85,000
Less: Non-controlling interest	(17,000)
Cash consideration	68,000

Net cash outflow on acquisition of subsidiaries

	Total RMB'000
Consideration paid in cash within 2017 (1)	91,750
Less: Cash and cash equivalent balances acquired	(9,171)
	82,579

(1) Of the total cash consideration of RMB276,183,700, RMB184,433,700 remained unpaid as at December 31, 2017; 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 RMB16.3 million attributable to the additional business generated by Xinyuan. Revenue for the period from Xinyuan amounted RMB35.8 million.

Had the business combination during the year been effected at January 1, 2017, the revenue of the Group from continuing operations would have been RMB2,072.2 million, and the profit for the year from continuing operations would have been RMB161.3 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.

39 OPERATING LEASE COMMITMENTS

	GROUP	
	2018 RMB'000	2017 RMB'000
Minimum lease payments paid under operating leases recognised as an expense in the year	11,234	4,720

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	GROUP	
	2018 RMB'000	2017 RMB'000
Within one year	7,184	3,862
In the second to fifth years inclusive	12,156	6,353
More than 5 years	450	550
Total	19,790	10,765

Operating lease payments represent rentals payable by the Group for premises with lease terms ranging from 1 to 14 years (2017 : 1 to 15 years).

As at December 31, 2018 and 2017, the Group did not have any outstanding commitments under non-cancellable operating leases.

40 CAPITAL COMMITMENTS

	GROUP	
	2018 RMB'000	2017 RMB'000
For acquisition of intangible assets	268,990	422,255

41 CONTINGENT LIABILITIES

The Group and the Company has contingent liabilities arising from guarantees given for bank loans as disclosed in Note 23.

42 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.

During the year, 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.

42 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
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 after income tax			332,555
2017			
REVENUE	1,813,349	152,121	1,965,470
RESULT			
Segment result	172,751	46,801	219,552
Unallocated corporate expenses			(49,570)
Financial effect of convertible bonds (Note A)			29,168
Interest income	7,662	4,574	12,236
Finance cost	(22,229)	(11,322)	(33,551)
Profit before income tax			177,835
Income tax expense			(26,986)
Profit after income tax			150,849

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).

42 SEGMENT INFORMATION (Cont'd)

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.

Statement of Net Assets	M&S RMB'000	GI RMB'000	Total RMB'000
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
December 31, 2017			
Assets:			
Segment assets	2,517,508	2,411,030	4,928,538
Unallocated assets			71,765
Total assets			5,000,303
Liabilities:			
Segment liabilities	1,646,528	1,219,998	2,866,526
Unallocated liabilities			730,756
Total liabilities			3,597,282
January 1, 2017			
Assets:			
Segment assets	2,009,726	768,166	2,777,892
Unallocated assets			5,339
Total assets			2,783,231
Liabilities:			
Segment liabilities	1,245,693	369,540	1,615,233
Unallocated liabilities			24,263
Total liabilities			1,639,496

42 SEGMENT INFORMATION (Cont'd)

OTHER INFORMATION	M&S RMB'000	GI RMB'000	Total RMB'000
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
2017			
Capital expenditure			
- Property, plant and equipment	38,027	220,951	258,978
- Intangible assets	–	661,290	661,290
- Land use rights	993	27,197	28,190
Depreciation expense	29,984	4,430	34,414
Reversal of impairment losses, net of impairment, on trade and other receivables	(15,265)	–	(15,265)
Impairment allowance on inventories, net of reversals	534	–	534
Amortisation of intangible assets	981	11,952	12,933
Amortisation of land use rights	2,030	1,790	3,820

42 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		
	2018	2017	December 31, 2018	December 31, 2017	January 1, 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC	2,969,738	1,811,363	3,564,823	1,975,833	1,061,526
Canada	1,150	550	–	–	–
U.S.A	168,940	34,904	–	–	–
Asia	29,745	–	–	–	–
South East Asia	54,950	42,420	–	–	–
Middle East	20,510	21,679	–	–	–
Europe	17,860	54,642	–	–	–
Oceania	–	(88)	–	–	–
Total	3,262,893	1,965,470	3,564,823	1,975,833	1,061,526

Information about major customers

There is no single customer which contributes 10% or more of the revenue in 2018 and 2017, respectively.

43 EVENTS AFTER THE REPORTING PERIOD

The Company announced that on March 11, 2019, the Company issued and allotted an aggregate of 5,053,200 ordinary shares in the capital of the Company (the "New Shares"), at an exercise price of S$0.116 each, pursuant to the exercise of options granted under the Sunpower Employee Share Option Scheme 2015 ("ESOS").

Following the allotment and issue of the New Shares, the total number of issued and paid-up ordinary shares in the capital of the Company has increased from 765,447,342 to 770,500,542 ordinary shares.

44 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended December 31, 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 Financial Instruments as follows:

On January 1, 2018, the Group adopted SFRS(I) 9 which is effective for annual periods beginning on or after January 1, 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial adoption. The impact arising from SRS(I) 9 was included in the opening retained earnings at the date of initial application, January 1, 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Management has elected the following transition exemption:

- SFRS(I) 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before January 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.

  SFRS(I) 1 also requires that the FRS carrying amount of goodwill must be used in the opening SFRS(I) statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SFRS(I) 1, the Group has tested goodwill for impairment at the date of transition to SFRS(I). No goodwill impairment was deemed necessary at January 1, 2017.

- As permitted under SFRS(I) 1, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 is not disclosed using the transition provisions of SFRS(I) 15.

44 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

Reconciliations of equity

The effects of transition to SFRS(I) are presented and explained below.

Group

(A) Impact on the equity as at January 1, 2017 (date of transition to SFRS(I))

	As previously reported under FRS RMB'000	Application of SFRS(I) 1 RMB'000	As adjusted under SFRS(I) RMB'000
Share capital	53,531	–	53,531
Share premium	266,938	–	266,938
General reserves	70,508	–	70,508
Share option reserve	12,828	–	12,828
Foreign currency translation reserve	261	(261)	–
Retained earnings	713,976	261	714,237
Equity attributable to equity holders of the Company	1,118,042	–	1,118,042

(B) Impact on the equity as at December 31, 2017 (end of last period reported under FRS)

	As previously reported under FRS RMB'000	Application of SFRS(I) 1 RMB'000	As adjusted under SFRS(I) RMB'000
Share capital	53,531	–	53,531
Share premium	266,938	–	266,938
General reserves	87,921	–	87,921
Share option reserve	15,839	–	15,839
Foreign currency translation reserve	124	(261)	(137)
Retained earnings	837,546	261	837,807
Equity attributable to equity holders of the Company	1,261,899	–	1,261,899

45 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.

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low valued assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

The Group has performed a detailed analysis of the impact arising from the initial application of SFRS(I) 16 and expects no material adjustments to arise from the change in the accounting for leases as a lessee.

STATISTICS OF SHAREHOLDINGS

As at 8 March 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.10	49	0.00
100 - 1,000	60	5.86	44,251	0.01
1,001 - 10,000	385	37.60	2,733,600	0.36
10,001 - 1,000,000	550	53.71	41,053,100	5.38
1,000,001 AND ABOVE	28	2.73	719,074,342	94.25
TOTAL	**1,024**	**100.00**	**762,905,342**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	133,537,142	17.50
2	UOB KAY HIAN PRIVATE LIMITED	104,101,883	13.65
3	OCBC SECURITIES PRIVATE LIMITED	101,606,998	13.32
4	LIN YUCHENG	100,000,000	13.11
5	JOYFIELD GROUP LIMITED	66,154,120	8.67
6	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	60,684,599	7.95
7	DBS NOMINEES (PRIVATE) LIMITED	54,831,000	7.19
8	PHILLIP SECURITIES PTE LTD	13,494,500	1.77
9	HSBC (SINGAPORE) NOMINEES PTE LTD	12,320,100	1.61
10	LIAO LIZHENG	10,235,200	1.34
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,280,200	1.22
12	ABN AMRO CLEARING BANK N.V	6,378,600	0.84
13	RAFFLES NOMINEES (PTE.) LIMITED	6,320,300	0.83
14	NOMURA SINGAPORE LIMITED	4,579,400	0.60
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,473,200	0.59
16	MA MING	3,553,200	0.47
17	ZHUO JINGMING	3,544,400	0.46
18	TAN KAH BOH ROBERT@ TAN KAH BOO	3,300,000	0.43
19	HONG LEONG FINANCE NOMINEES PTE LTD	3,162,500	0.41
20	WATERWORTH PTE LTD	3,100,000	0.41
	TOTAL	**704,657,342**	**92.37**

STATISTICS OF SHAREHOLDINGS

As at 8 March 2019

SHARE CAPITAL

Authorised share capital	:	US$23,000,000
Issued and fully paid-up	:	US$7,654,473.42
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 8 March 2019, 38.0% 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

Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
1. Guo Hong Xin(1)	–(6)	–	147,716,554	19.30
2. Ma Ming(2)	3,553,200	0.46	128,541,737	16.79
3. Allgreat Pacific Limited(3)	76,287,983	9.97	71,428,571	9.33
4. Claremont Consultancy Limited(4)	57,113,166	7.46	71,428,571	9.33
5. Sunpower Business Group Pte. Ltd.	71,428,571(5)	9.33	–	–
6. Tournan Trading Pte. Ltd.	71,428,571(5)	9.33	–	–
7. Lin Yucheng	100,000,000	13.56	–	–
8. Joyfield Group Limited	66,154,120	8.93	–	–
9. Pan Shuhong(5)	19,393,198	2.63	66,154,120	8.97

Notes:

(1) Mr Guo Hong Xin is (i) deemed to be interested in the 76,287,983 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 57,113,166 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.

(6) Mr Guo Hong Xin has direct interest of 3,553,200 on 11 March, 2019, as a result of the exercise of options granted under the Sunpower Employee Share Option Scheme 2015.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of the Company will be held at Level 1, Libra & Gemini, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Thursday, 25 April 2019 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 2018 together with the Directors' Statement and the Auditors' Report thereon. **Resolution 1**

2. To declare a 1-tier tax exempt final dividend of S$0.0019 per share in respect of the financial year ended 31 December 2018. **Resolution 2**

3. To approve Directors' fees of S$299,500 for the financial year ended 31 December 2018. (2017: S$216,667) **Resolution 3**

4. To re-elect the following Directors retiring pursuant to Bye-Law 104 of the Bye-Laws of the Company:-

   (i) Guo Hong Xin **Resolution 4**

   (ii) Chin Sek Peng *(See Explanatory Note)* **Resolution 5**

5. To note the retirement of Mr Jiang Ning, a Director who is retiring pursuant to Bye-Law 104 of the Bye-Laws of the Company and would not be seeking re-election.

6. To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

7. 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 7**

   (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 sub-paragraph (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 sub-paragraph (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 and subsidiary holdings 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)*

8. 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 8**

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

9. 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

2 April 2019

Explanatory Notes:

Resolution 5

Mr Chin Sek Peng, Chairman of Audit Committee and 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. Mr Chin is an Independent Director.

Resolution 7

Ordinary Resolution no. 7, 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 8

The Ordinary Resolution no. 8, 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) With the exception of The Central Depository (Pte) Limited ("CDP") who may appoint more than two proxies, any member of the Company entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(2) The instrument appointing the proxy must be deposited at the Share Transfer Office of the Company at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, not less than 48 hours before the time set for holding the meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) agrees to provide the Company with written evidence of such prior consent upon reasonable request, and (iv) agrees to indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a results of the member's breach of warranty.

Mr Guo Hong Xin and Mr Chin Sek Peng are the Directors seeking re-election ("**Retiring Directors**") at the forthcoming annual general meeting of the Company to be convened on 25 April 2019.

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	Guo Hong Xin	Chin Sek Peng
Date of Appointment	12 May 2004	2 February 2005
Date of last re-appointment	27 April 2016	26 April 2017
Age	56	62
Country of principal residence	People's Republic of China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Guo Hong Xin as the Executive Director was recommended by the Nominating Committee and the Board of Directors has accepted the recommendation, after taking into consideration Mr Guo Hong Xin's qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Chin Sek Peng as the Independent Director was recommended by the Nominating Committee and the Board of Directors has accepted the recommendation, after taking into consideration Mr Chin Sek Peng'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 Guo Hong Xin is primarily responsible for overseeing the overall management and strategic planning and development of the Group as well as the effective working of the Board of Directors.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and NC member	AC Chairman, RC member and NC member
Professional qualifications	Bachelor's Degree and Ph.D in Geotechnical Engineering Executive Master of Business Administration Degree from Tsinghua University	Bachelor of Arts (Honours) degree Fellow (practising) Chartered Accountant of Singapore Fellow Member of the Institute of Chartered Accountants in England and Wales

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Guo Hong Xin	Chin Sek Peng
Working experience and occupation(s) during the past 10 years	2015 – Present: Independent Non–Executive Director, Genscript Biotech Corporation (Listed on Hong Kong Stock Exchange) 2017 – Present: Part–time instructor, MBA Education Center of Nanjing University 2017 – Present: Industry Professor, Nanjing Tech University 2017 – Present: Executive Master of Business Administration (EMBA) Alumni Entrepreneur Mentor, Tsinghua University	2002 – Present: Co–founding Director, PKF–CAP Advisory Partners Pte Ltd 2007 – Present: Co–founding partner of PKF–CAP LLP 2009 – Present: Co–founding Director, PKF–CAP Risk Consulting Pte Ltd 2017 – Present: Managing Partner/ Managing Director, PKF–CAP LLP and related entities 2006 – Present: Independent Director, Sitra Holdings (International) Limited (Listed on Singapore Exchange) 2007 – Present: Independent Director, Cortina Holdings Limited (Listed on Singapore Exchange) 2013 – Present: Independent Director, TEE Land Limited (Listed on Singapore Exchange) 2005 – 2010: Independent Director of Thomson Medical Centre Ltd. The company was delisted in 2010.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest – 3,553,200 ordinary shares Deemed interest – 147,716,554 ordinary shares Share options – 2,368,800	Nil
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

Name of Director	Guo Hong Xin	Chin Sek Peng
Conflict of interest (including any competing business)	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
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)	Nil	2005 - 2010: Independent Director of Thomson Medical Centre Ltd. The company was delisted in 2010.
Present	2015 - Present: Independent Non-Executive Director, Genscript Biotech Corporation (Listed on Hong Kong Stock Exchange)	2002 – Present: Co–founding Director, PKF–CAP Advisory Partners Pte Ltd 2007 – Present: Co–founding partner of PKF–CAP LLP 2009 – Present: Co–founding Director, PKF–CAP Risk Consulting Pte Ltd 2017 – Present: Managing Partner/ Managing Director, PKF–CAP LLP and related entities 2006 – Present: Independent Director, Sitra Holdings (International) Limited (Listed on Singapore Exchange) 2007 – Present: Independent Director, Cortina Holdings Limited (Listed on Singapore Exchange) 2013 – Present: Independent Director, TEE Land Limited (Listed on Singapore Exchange)

Name of Director	Guo Hong Xin	Chin Sek Peng
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
(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
(c) Whether there is any unsatisfied judgment against him?	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

Name of Director	Guo Hong Xin	Chin Sek Peng
(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
(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
(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
(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

Name of Director	Guo Hong Xin	Chin Sek Peng
(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
(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 during that period when he was so concerned with the entity or business trust?	No	No

Name of Director	Guo Hong Xin	Chin Sek Peng
(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
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.

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