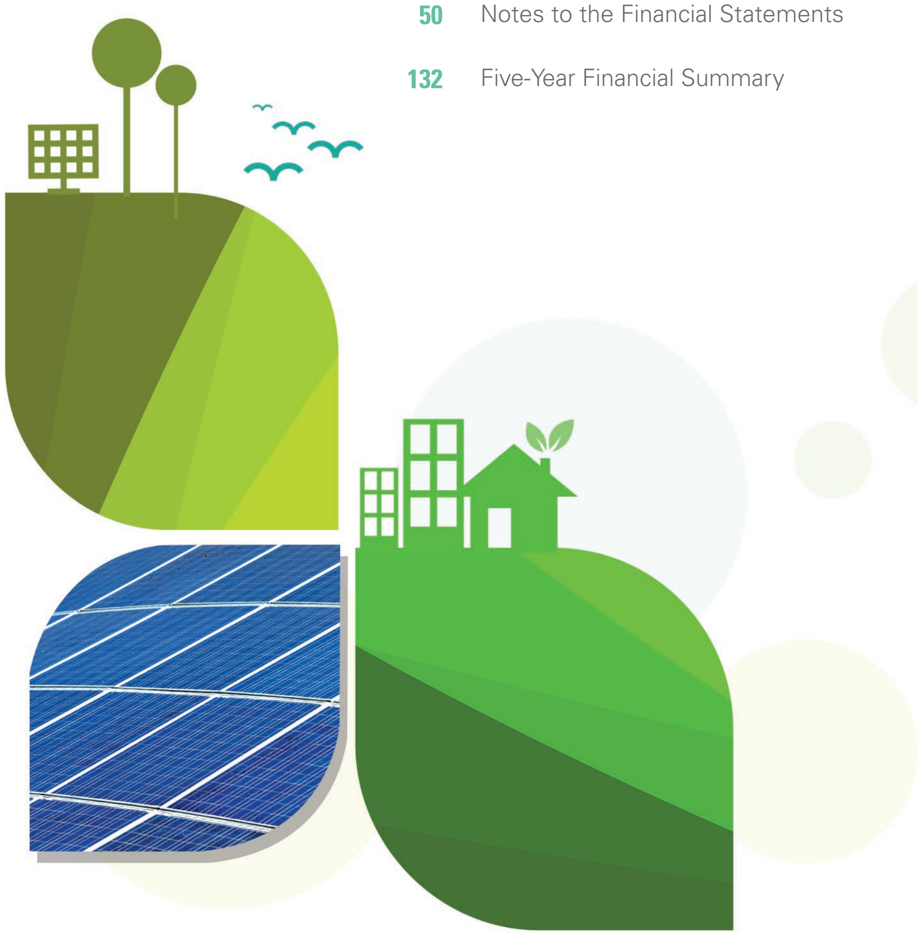
KongSun 江山

Kong Sun Holdings Limited

Stock Code : 295

ANNUAL REPORT 2015

CONTENT



CORPORATE INFORMATION

EXECUTIVE DIRECTORS	Liu Wen Ping Chang Hoi Nam
NON-EXECUTIVE DIRECTORS	Ma Ji *(Chairman) (appointed on 18 June 2015)* Chang Tat Joel
INDEPENDENT NON-EXECUTIVE DIRECTORS	Miu Hon Kit Wang Haisheng Lu Hongda
AUDIT COMMITTEE	Miu Hon Kit *(Chairman)* Wang Haisheng Lu Hongda
NOMINATION COMMITTEE	Wang Haisheng *(Chairman)* Miu Hon Kit Lu Hongda
REMUNERATION COMMITTEE	Lu Hongda *(Chairman)* Miu Hon Kit Wang Haisheng
REGISTERED OFFICE	Unit 3601, 36/F., China Resources Building 26 Harbour Road Wanchai Hong Kong

Corporate Information (Continued)

SHARE REGISTRAR AND TRANSFER OFFICE	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Center 183 Queen's Road East Hong Kong
COMPANY SECRETARY	Fung Che Wai, Anthony
AUTHORIZED REPRESENTATIVES	Liu Wen Ping Fung Che Wai, Anthony
AUDITOR	BDO Limited
LEGAL ADVISOR	Sidley Austin
PRINCIPAL BANKERS	Bank of Communications Co., Ltd. China Construction Bank Corporation China Merchants Bank Co., Ltd.
STOCK CODE	295
CONTACT INFORMATION	Tel : 3188 8851 Fax : 3186 2916 Website : www.kongsun-hldgs.com
INVESTOR RELATIONS	Email : ir@kongsunhldgs.com

FINANCIAL HIGHLIGHTS

	2015 RMB'000	2014 RMB'000
Turnover	1,736,278	524,283
Gross Profit	191,150	49,153
(Loss)/Profit for the year	(98,994)	11,667
(Loss)/Earnings per share		
– Basic and diluted (RMB cents)	(1.08)	0.27
Total non-current assets	4,929,849	1,730,185
Total current assets	5,477,546	1,767,575
Total assets	10,407,395	3,497,760
Total non-current liabilities	3,522,536	448,368
Total current liabilities	3,482,662	947,883
Total liabilities	7,005,198	1,396,251
Net assets	3,402,197	2,101,509

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I would like to present the annual results of Kong Sun Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

While 2014 marked the Group's transformation, the year 2015 witnessed its great strides in the investment in and development of photovoltaic power generation in China. This is in line with the Group's strategy of focusing its investment in clean energy sector, in particular the solar energy area. For the year ended 31 December 2015, the Group recorded turnover of approximately RMB1,736.3 million (2014: RMB524.3 million), representing a significant increase of 231.2%, which was mainly due to an increase in revenue from the sales of electricity generated from the photovoltaic power stations and sales of equipment relating to photovoltaic power stations. During the year, gross profit of the Group was approximately RMB191.2 million (2014: RMB49.2 million).

China's photovoltaic industry continued its recovery in 2015. In June 2015, the Ministry of Industry and Information Technology, the National Energy Administration and the National Certification and Accreditation Administration jointly issued the "Opinions on Promoting the Application and Industrial Upgrading of Advanced Photovoltaic Products (《關於促進先進光伏技術產品應用和產業升級的意見》). It stipulated more stringent market admission standards of the photovoltaic products and implemented the "Forerunner" initiative. In October 2015, the Ministry of Industry and Information Technology indicated its plan to promote mergers and reorganizations of the photovoltaic enterprises and to support innovations. These favourable policies and technology upgrades led to the addition of newly installed photovoltaic capacity of 15.13 gigawatt ("GW") across the nation, or more than one quarter of the world's newly installed capacity. As of the end of 2015, China ranked number one for installed photovoltaic capacity in the world with the country's accumulated installed photovoltaic capacity of 43.18GW.

During the year, the Group capitalized on the implementation of the favourable policies by actively investing in and developing photovoltaic power station projects in China. Notably, the Group strategically entered the markets of the eastern and central regions where the demand for electricity is high. The move improved the geographical distribution of the Group's operations in the country. As of 31 December 2015, the Group had grid-connected photovoltaic power station projects in the provinces of Gansu, Hebei, Jiangxi, Xinjiang, and Zhejiang and Inner Mongolia, with an accumulated grid-connected capacity of 469.5 MW.

Aiming to provide strong support for its investment in and development of photovoltaic power station projects, the Group proactively expanded its financing channels during the year. The Group optimized its financial structure, reduced financing cost and maintained stable and sufficient cash flow by means of new share placements, issue of corporate bonds, bank loans and finance leases, etc. In addition, Pohua JT Private Equity Fund L.P., the major shareholder of the Company, completed the subscription of 5,177,000,000 new shares of the Company in March 2016, demonstrating the major shareholder's confidence in the Group's prospect and its support to the latter.

Chairman's Statement (Continued)

During the year, the Company was included as a constituent stock in the MSCI Global Small Cap (China Index) Indexes, Hang Seng Global Composite Index and Hang Seng Composite Index. This reflected the international capital market's recognition of the Company and laid a solid foundation for the Company's status as a leading industry player. It will also help to enhance the Group's presence and stock liquidity in the capital market.

In 2016, China is expected to continue to restructure its economy, aiming for quality, albeit slower growth. The country's energy structure will also be changed as part of the government initiative, thus providing the energy sector with the strategic opportunity for development and boding well for the photovoltaic industry's prospect. The Chinese government has set an annual growth target of 20GW for the country's installed photovoltaic capacity during the "13th Five-year Plan" period and has revised up the country's target installed photovoltaic capacity by 50% to 150GW by 2020. Also high on the government's agenda is the plan to expedite the construction of the key projects of distributed photovoltaic power generation in central and eastern China. The Group will seize the golden opportunity for development in the photovoltaic industry during the "13th Five-year Plan" period by continuing with its strategy for investment in and development of the photovoltaic power stations. It will also seek to expand its business by promoting photovoltaic power generation in agriculture and fishery industries and by implementing projects integration which brings complementary synergy to these two industries. The Group will also attempt to develop the energy internet business which allows the energy sector to raise management efficiency and expedite the reform of the mode of operation with big data and big platforms.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all of the shareholders, investors, partners and customers of the Group for their trust and support. I would also like to thank our Directors, management and staff for their contribution to the Group and their outstanding performance. The Group will strive to maximize the value for the shareholders and the community by leveraging our top management team, good corporate governance and the prudent financial strategies.

Ma Ji
Chairman

13 December 2016, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company with its subsidiaries mainly engaged in investment in and operation of photovoltaic ("PV") power plants, properties investment and sales of life-like plants.

PV POWER PLANTS BUSINESS

During the year ended 31 December 2015, the Group continued its investment in and development of PV power plants in the PRC. As at 31 December 2015, the Group had a total of 469.5 megawatts ("MW"), 100% owned, grid-connected PV projects on hand as follows:

Completed solar power plants

Location of project	Capacity of power plants
Xinjiang Province	
Hami	20 MW
Yingjisha	20 MW
Kuche	20 MW
Wushi	20 MW
Hejing	20 MW
Makit	20 MW
Artux	60 MW
Subtotal	**180 MW**
Gansu Province	
Yumen	20 MW
Jiuquan	30 MW
Lanzhou	49.5 MW
Subtotal	**99.5 MW**
Zhejiang Province	
Huzhou	**100 MW**
Jiangxi Province	
Guixi	**50 MW**
Hebei Province	
Weixian	**30 MW**
Inner Mongolia	
Ordos	**10 MW**
Total	**469.5 MW**

Management Discussion and Analysis (Continued)

In addition, as at 31 December 2015, the Group had the following, 100% owned, ground mounted PV power plants under development:

Solar power plants under development

Location of project	Capacity of power plants
Dunhuang, Gansu Province	60 MW
Haidong, Qinghai Province	20 MW
Hefei, Anhui Province	40 MW
Huanghua, Hebei Province	30 MW
Keping, Xinjiang Province	20 MW
Shuozhou, Shanxi Province	70 MW
Taian, Shandong Province	20 MW
Yanchuan, Shaanxi Province	30 MW
Yulin, Shaanxi Province	30 MW
Total	**320 MW**

PROPERTIES INVESTMENT

The total rental income of the Group from its properties investment decreased by approximately 4.7% from approximately RMB1,685,000 for the year ended 31 December 2014 to approximately RMB1,606,000 for the year ended 31 December 2015. The decrease in total rental income was mainly attributable to the disposal of one of the Group's investment properties located in Hong Kong during the year ended 31 December 2015.

LIFE-LIKE PLANTS BUSINESS

The turnover from life-like plants business increased by approximately 3.6% from approximately RMB4,760,000 for the year ended 31 December 2014 to approximately RMB4,929,000 for the year ended 31 December 2015.

RESULTS OF OPERATIONS

Revenue

The revenue of the Group increased by approximately 231.2% from approximately RMB524,283,000 for the year ended 31 December 2014 to approximately RMB1,736,278,000 for the year ended 31 December 2015. The increase was primarily due to an increase in turnover from the sales of electricity (including tariff adjustment) and sales of solar energy related products.

Revenue from sales of electricity

The Group's revenue from sales of electricity increased by approximately 1,136.3% from approximately RMB9,547,000 for the year ended 31 December 2014 to approximately RMB118,032,000 for the year ended 31 December 2015 due to the increased installed capacity of grid-connected PV power plants on hand. As at 31 December 2015, the Group had a total of 469.5MW installed capacity of PV power plants on hand, comparing to the 70MW installed capacity of PV power plants on hand as at 31 December 2014.

Revenue from sales of solar energy related products

The Group's revenue from sales of solar energy related products increased by approximately 217.1% from approximately RMB508,291,000 for the year ended 31 December 2014 to approximately RMB1,611,711,000 for the year ended 31 December 2015 due to an increase in the sales of solar energy related products. With the favourable policies to photovoltaic industry in China, the demand of solar energy related products increased significantly during the year ended 31 December 2015.

Revenue from sales of life-like plants

The Group's revenue from sales of life-like plants increased by approximately 3.6% from approximately RMB4,760,000 for the year ended 31 December 2014 to approximately RMB4,929,000 for the year ended 31 December 2015. The demand of life-like plants remained stable during the year ended 31 December 2015.

Rental income

The Group's rental income decreased by approximately 4.7% from approximately RMB1,685,000 for the year ended 31 December 2014 to approximately RMB1,606,000 for the year ended 31 December 2015, mainly attributable to the disposal of one of the Group's investment properties during the year ended 31 December 2015.

Gross profit

The gross profit of the Group increased by approximately 288.9% from approximately RMB49,153,000 for the year ended 31 December 2014 to approximately RMB191,150,000 for the year ended 31 December 2015, mainly due to an increase in revenue from sales of electricity and sales of solar energy related products during the year under review.

Gains on fair value changes on investment properties

The Group holds certain properties for rental income and/or capital appreciation purposes in Hong Kong. The Group's investment properties are revaluated at the end of the respective year end on an open market value or existing use basis by an independent property valuer. For the year ended 31 December 2015, the Group recorded an increase in fair value of investment properties of RMB5,222,000 (2014: RMB2,298,000). The increase in fair value of the Group's investment properties during the years ended 31 December 2015 and 2014 reflected a rise in the property price in Hong Kong over the years under review.

Management Discussion and Analysis (Continued)

Other revenue

Other revenue of the Group increased by approximately 8.8% from approximately RMB9,434,000 for the year ended 31 December 2014 to approximately RMB10,264,000 for the year ended 31 December 2015. The increase is mainly due to an increase in other miscellaneous revenue of approximately RMB3,410,000 during the year under review.

Other net income

The Group recorded a net income of approximately RMB1,071,000 for the year ended 31 December 2015 (2014: RMB7,958,000). The decrease was mainly due to the lack of an one-off net gain of approximately RMB6,735,000 from the disposal of available-for-sale securities recognised in the year ended 31 December 2014, which was partly offset by the net foreign exchange gain of approximately RMB712,000 (2014: net foreign exchange loss of approximately RMB1,475,000) during the year ended 31 December 2015.

Administrative expenses

Administrative expenses of the Group increased by approximately 374.3% from approximately RMB40,225,000 for the year ended 31 December 2014 to approximately RMB190,797,000 for the year ended 31 December 2015. The increase was attributable to (i) an increase in legal and other professional fees amounted to approximately RMB2,427,000 in relation to, including but not limited to, the issue of new shares by the Company during the year ended 31 December 2015; (ii) an increase in office rental expenses amounted to approximately RMB6,423,000; (iii) an increase in salaries, wages and other benefits amounted to approximately RMB20,127,000 due to an increase in head count; (iv) an increase in equity-settled based payment expenses amounted to approximately RMB51,272,000; (v) an increase in auditors' remuneration amounted to approximately RMB8,122,000; and (vi) an increase in travelling and transportation expenses amounted to approximately RMB5,690,000.

Finance costs

Finance costs of the Group increased by approximately RMB55,068,000 from approximately RMB7,694,000 for the year ended 31 December 2014 to approximately RMB62,762,000 for the year ended 31 December 2015. As the number of and the total installed capacity of the PV power plants held by the Group increased during the year, the finance costs related to the borrowings of the PV power plants also increased significantly during the year under review.

Solar power plants

As at 31 December 2015, the Group had a net carrying value of approximately RMB2,360,063,000 (2014: RMB533,903,000) and approximately RMB2,057,955,000 (2014: RMB1,034,247,000) in completed solar power plants and solar power plants under development, respectively. During the year ended 31 December 2015, the Group capitalized on the implementation of the favourable policies by actively investing in and developing PV power plants in China, As at 31 December 2015, the Group had a total of 469.5MW installed capacity of PV power plants on hand, comparing to the 70MW installed capacity of PV power plants on hand as at 31 December 2014.

Investment in a joint venture

During the year ended 31 December 2015, the Group established a joint venture and held 55% of the equity interests of the joint venture. The joint venture is principally engaged in the provision of finance lease services in the PRC and started its operations in 2015. As at 31 December 2015, the net carrying value of the joint venture was approximately RMB286,891,000 (2014: Nil).

Investment properties

The Group continues to hold certain investment properties in Hong Kong for rental purposes. As at 31 December 2015, the total investment properties held by the Group, at valuation, amounted to approximately RMB49,010,000 (2014: RMB77,943,000).

Management Discussion and Analysis (Continued)

Goodwill

During the year ended 31 December 2015, the Group had acquired five (2014: three) solar power plants with operations and recorded a total amount of approximately RMB51,211,000 (2014: RMB35,050,000) in respect of goodwill on the acquisitions. For details, please refer to note 21 to the financial statements.

Trade and Other Receivables

Trade and other receivables increased from approximately RMB604,349,000 as of 31 December 2014 to approximately RMB3,950,076,000 as of 31 December 2015. The increase was mainly due to an increase in trade debtors and bills receivable of approximately RMB1,200,516,000 which arose from the sales of electricity and trading of solar energy related products, an increase in loans and advances to Zhongke Hengyuan of approximately RMB1,141,901,000 and an increase in other deposits and prepayments and receivables of approximately RMB1,003,310,000 which mainly arose from the deposits and prepayments for acquisition of PV power plants in the PRC.

Trade and Other Payables

Trade and other payables increased from approximately RMB739,482,000 as of 31 December 2014 to approximately RMB2,435,026,000 as of 31 December 2015. The amount mainly comprised payables to suppliers of solar modules and equipment and EPC contractors for purchase of solar modules and equipment and construction costs of solar power plants. As the sales of solar energy related products increased significantly and additional solar power plant projects were developed during the year, other payables related to purchase of solar modules and equipment and construction costs of solar power plants have increased from approximately RMB621,813,000 as of 31 December 2014 to approximately RMB2,044,386,000 as of 31 December 2015.

Liquidity and Capital Resources

As at 31 December 2015, the total amount of structured bank deposits, pledged bank deposits and cash and cash equivalents was approximately RMB1,337,732,000 (2014: approximately RMB1,160,535,000). As at 31 December 2015, cash and cash equivalents of the Group was approximately RMB637,732,000 (2014: approximately RMB1,008,312,000), which included an amount of bank deposits of approximately RMB502,453,000 (2014: approximately RMB827,828,000), denominated in RMB. The remaining balance of the Group's cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily held in HK dollar denominated accounts with banks in Hong Kong.

As at 31 December 2015, the Group's net debt ratio, which was calculated by the total loans and other borrowings and corporate bonds minus total bank and cash on hand, over the total equity, was 0.57 (2014: net cash position).

Capital Expenditure

During the year ended 31 December 2015, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB15,385,000 (2014: RMB1,762,000) and RMB725,242,000 (2014: RMB621,113,000), respectively.

Loans and Borrowings

As at 31 December 2015, the Group's total loans and borrowings was approximately RMB2,968,614,000, representing an increase of approximately RMB2,346,111,000 over the amount of approximately RMB622,503,000 as at 31 December 2014. The increase in the Group's total loans and borrowings was mainly due to an increase in the Group's investments in solar power plants which lead to an increase in loans and borrowings to finance such investments. All the loans and borrowings of the Group, except for an equivalent amount of approximately RMB87,305,000 (2014: approximately RMB5,720,000) which were denominated in HK dollar, were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC.

Management Discussion and Analysis (Continued)

Loan from ultimate holding company

During the year ended 31 December 2015, the Group as borrower and Pohua JT Private Equity Fund L.P. ("Pohua JT") as lender, the Company's ultimate holding company, entered into a 3-year term loan agreement with a principal amount of HK$1.5 billion (equivalent to approximately RMB1,256,670,000). The loan is unsecured and bearing an interest of 5.8% per annum. For details, please refer to note 32 to the financial statements.

Corporate bonds

During the year ended 31 December 2015, the Group issued corporate bonds denominated in HK dollar in an aggregate amount of HK$423,500,000 (equivalent to approximately RMB354,800,000), due in 2018. The corporate bonds bear interest at 6% per annum and repayable in 36 months after the issue of the corporate bonds. For details, please refer to note 33 to the financial statements.

Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the year ended 31 December 2015, the Group's revenue were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Directors expect any future exchange rate fluctuation will not have any material effect on the Group's business. The Group did not use any financial instruments for hedging purpose.

Charge on Assets

As at 31 December 2015, the Group had charged solar power plants, trade receivables, land and buildings, lease prepayments and pledged bank deposits with net book value of approximately RMB2,567,145,000 (2014: RMB533,903,000), approximately RMB106,086,000 (2014: RMB37,224,000), approximately RMB1,041,000 (2014: approximately RMB3,630,000), approximately RMB913,000 (2014: nil) and nil (2014: approximately RMB152,050,000) respectively, to secure general banking and other loans facilities granted to the Group.

Contingent Liabilities

The Group acquired equity interests of certain subsidiaries principally engaged in the development of solar power plants projects and the applications for the development of these solar power plant projects were actually carried out by their former shareholders. According to the Notices as mentioned in note 28 to the financial statements, the Notices prohibit the original applicants who have obtained the approval documents from the relevant government for the solar power plant projects from transferring the equity interests of solar power plant projects before the projects were connected to the power grid. With reference to the legal opinion from a PRC lawyer, given that (i) the Group has obtained the preliminary approval from respective relevant government authorities to continue the remaining development of the solar power plants; and/or (ii) the PRC lawyer is of the view that it is remote for these subsidiaries to be fined or to have adverse consequences imposed by the relevant government authorities, the Directors consider there is no significant impact on the Group's control over these entities and the development of these solar power plants.

As set out in note 19, the Group executes a guarantee with respect to a loan of RMB120,000,000 granted by Kong Sun Baoyuan to an independent third party as at 31 December 2015, under which the Group is liable to pay the proportionate share if Kong Sun Baoyuan is unable to recover the loan from the independent third party. As at the reporting date, no provision for the Group's proportionate obligation under the guarantee contracts has been made as the Directors consider that it is not probable that the repayment of the loan will be in default.

Employees and Remuneration Policy

As at 31 December 2015, the Group had approximately 236 (2014: 174) employees located in Hong Kong and the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2015, the total employees benefit expenses were approximately RMB91,972,000 (2014: RMB20,020,000). The remuneration policy of the Group is to provide remuneration packages, including basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed herein this report, the Group did not have any significant investments, other material acquisition or disposal during the year ended 31 December 2015, and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

PROSPECT

China ranked number one for accumulated installed photovoltaic capacity in the world in 2015 and is committed to promoting the development and application of renewable energy worldwide. China's PV industry is expected to flourish sustainably as it will benefit from the government's measures to change and optimize the country's energy structure as well as the implementation of "13th Five-year Plan". In 2015, the Group successfully expanded its core business of PV power generation in China. The Group capitalized on the government's strong support to the PV sector, leveraged its professional management team and adopted prudent investment strategies. As a result, the Group's PV power station business grew considerably.

Looking ahead, the Group will seize the golden opportunity for development in the PV industry during the "13th Five-year Plan" period by continuing with its strategy for investment in and development of the PV power stations. The Group will also seek to expand its business by promoting PV power generation in agriculture and fishery industries and by implementing projects integration which brings complementary synergy to these two industries. The Group will also attempt to develop the energy internet which allows the energy sector to raise management efficiency and expedite the reform of the mode of operation with big data and big platforms.

The Group will continue to diversify its financing channels and will build up financing platforms to support its PV projects' development. The Group will also consider entering other areas of new energy sector and transforming itself from a mere PV project operator into a provider of one-stop and comprehensive new energy solution and becomes a major investor and operator of PV plants in China and the Asia-Pacific region.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liu Wen Ping

aged 38, joined the Group on 21 March 2014. Mr. Liu received his Ph.D. degree from the Shanghai Institute of Microsystem and Information Technology, Chinese Academy of Sciences and has a bachelor's degree in Physics from the Peking University. Mr. Liu has worked in financial industries in China for 6 years, and has 10 years experiences in solar industry.

Mr. Chang Hoi Nam

aged 38, joined the Group on 30 September 2013, Mr. Chang obtained a bachelor's degree in business management from the University of New Brunswick of Canada in September 2000. Mr. Chang is currently an executive director and the chief executive officer of China Assurance Finance Group Limited (Stock code: 8090). Mr. Chang was an independent non-executive director of Sincere Watch (Hong Kong) Limited (Stock code: 444) from June 2012 to September 2012.

NON-EXECUTIVE DIRECTORS

Dr. Ma Ji

aged 59, joined the Group on 18 June 2015 as the Chairman of the Board and a non-executive Director. Dr. Ma is a partner of Pohua JT Private Equity Fund L.P., a substantial shareholder of the Company and is currently the managing director and co-founder of Repan Investment (Beijing) Co., Ltd. and the vice-president and co-founder of China Turnaround Union for Distressed Enterprises since 2010, a new working platform which includes three related sub-platforms, namely Turnaround Forum international and Turnaround Services intermediary providing and Turnaround Investment fund. Dr. Ma is currently also a research fellow of the Enterprises Coaching Research Center of the Peking University, the director and co-partner of Bon-You Coaching Group and Chief Chairman Coach of Bon-You Ming De Private Board Meeting since 2007. Dr. Ma had been a senior investment officer of United Nations Development Programme Tumen Secretariat (an international organization of Greater Tumen Area in Northeast Asia) during 1995 to 1996, and the chairman and president of Shenzhen Elake Data Storage Systems during 2003 to 2006. During the period from 2000 to 2003, Dr. Ma served as the managing director of TCL R&D Co., Ltd. and TCL Investment Co., Ltd. and deputy president of TCL IT (Group) Co., Ltd.. During 1996 to 2000, Dr. Ma was the assistant president of Shenzhen Electronics Group (SEG). Prior to such, Dr. Ma had held various positions in companies including, STS Microelectronics., SEG Marketing Co., Ltd. and SEG-SAMSUNG TV Glass Co., Ltd..

Dr. Ma graduated from the Dalian Polytechnic University with a bachelor's degree in polymer fiber engineering in 1982. Dr. Ma also studied a programme in international trade from the Changchun Finance and Trade University in 1986, and was a visiting professor in the Keele University and studied a master's programme in business administration (International Economics and Business Administration) in the Manchester University, United Kingdom in 1993 and obtained a doctoral degree in regional economic investment from the Northeast Normal University, Changchun in 1999.

Mr. Chang Tat Joel

aged 48, joined the Group on 7 November 2014, Mr. Chang is a partner of Pohua JT Private Equity Fund L.P., a substantial shareholder of the Company. Mr. Chang has considerable strategic, financial and advisory experience. He is the co-founder of AID Partners Capital Limited and a founder of Genius Link Assets Management Limited, both are private equity investment companies. He is an investment committee member of AID Partners Capital Limited, and is responsible for its strategic investment planning. Prior to founding AID Partners Capital Limited, he was the chief investment officer of Investec Asia Limited, a managing director of China Everbright Capital Limited and an executive director of BNP Prime Peregrine Capital Limited. He is also a member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in economics from the Monash University in 1990.

Mr. Chang is an executive director of AID Partners Technology Holdings Limited (Stock code: 8088) and Mason Financial Holdings Limited (Stock code: 273), an independent non-executive director of Dragonite International Limited (Stock code: 329) and Hailiang International Holdings Limited (Stock code: 2336), all of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was formerly an independent non-executive director of Kingsoft Corporation Limited (Stock code: 3888), and was an executive director and the chief financial officer of Orange Sky Golden Harvest Entertainment (Holdings) Limited (Stock code: 1132), both of which are listed on the Stock Exchange. He was an independent director of China Mobile Games and Entertainment Group Limited, a company previously listed on NASDAQ.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Miu Hon Kit

aged 49, joined the Group on 8 July 2014, Mr. Miu is a qualified accountant with over 21 years of professional experience in auditing, accounting, compliance, corporate finance and private equity investments. He is currently an advisor of Tawau Capital Partners Limited, a company principally engaged in private equity/venture capital investments, management consultancy and financial advisory. Furthermore, he is also a director of LMN Certified Public Accountants Limited since March 2015 and is currently a non-executive director of FM China Fund Limited. Mr. Miu has been appointed as an adjunct professor of the Department of Finance, Faculty of Business Administration, the Chinese University of Hong Kong since 2013. Mr. Miu received a master's degree in business administration from the Imperial College London and a bachelor of arts in accountancy with Honours from the City University of Hong Kong. Mr. Miu is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants (UK) and The Institute of Chartered Accountants in England and Wales. Mr. Miu was an independent non-executive director of Centron Telecom International Holdings Limited (Stock code: 1155), from April 2007 to December 2009. Mr. Miu is currently an independent non-executive director of Gold Tat Group International Limited (Stock code: 8266) and Chong Kin Group Holdings Limited (Stock code: 1609).

Mr. Wang Haisheng

aged 38, joined the Group on 30 September 2014, Mr. Wang has more than 13 years of experience in the areas of power equipment and new energy, with essential positions in corporate management, investment, strategic mergers and acquisitions and industry research. Mr. Wang was the chief analyst of several leading PRC securities companies for five years focusing in the new energy sector. Mr. Wang has obtained multiple awards of "Best Analyst". He is currently the executive general manager of Ping An Securities Co. Ltd. (平安証券有限責任公司). Mr. Wang graduated from the Tsinghua University (清華大學) with a bachelor's degree and a master's degree in automation.

Mr. Lu Hongda

aged 45, joined the Group on 7 November 2014, Mr. Lu is a partner with Beijing Zhong Lun Law Firm (北京市中倫律師事務所) and has more than 21 years of experience practising law. Mr. Lu started work in the Legal Department of the Beijing Capital Steel Group in 1993. Mr. Lu moved to private practice in 1994 and worked as an associate with Beijing Tian Chi Law Firm (北京市天馳律師事務所) between November 1994 and February 1997. He joined Beijing Zheng Ping Law Firm (北京鄭平律師事務所) and worked as an associate between March 1997 and May 2000. Mr. Lu joined Beijing Zhong Lun Law Firm in June 2000 and was promoted as partner. Mr. Lu is experienced in advising clients on capital market and securities transactions, merger and acquisitions, private equity and investment funds, as well as initial public offerings transactions. Mr. Lu graduated from the Law School of the Southwest University of Finance and Economics (西南財經大學) with a bachelor's degree in law and obtained a master's degree in law from the University of Dundee, United Kingdom.

SENIOR MANAGEMENT

Mr. Fung Che Wai, Anthony

aged 47, has been appointed as the company secretary and authorized representative of the Company with effect from 1 September 2014. Mr. Fung joined the Company in July 2014 as the chief financial officer. Mr. Fung has over 23 years of professional experience in auditing, advisory accounting, financial management and investor relations. He worked for an international audit firm and a financial consulting firm for 7 and 8 years respectively. From January 2008 to August 2010, Mr. Fung was the vice president responsible for investor relations of NagaCorp Limited (Stock code: 3918), a company listed on the Main Board of the Stock Exchange. From January 2011 to July 2014, Mr. Fung was the chief financial officer and company secretary of Zall Group Ltd. (formerly known as Zall Development Group Limited) (Stock code: 2098), a company listed on the Main Board of the Stock Exchange. Mr. Fung is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

There is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are investment in and operation of photovoltaic power plants, properties investment and sale of life-like plants.

RESULTS AND DIVIDEND

The loss of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in the Chairman's Statement on pages 5 to 6 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 7 to 14 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2015 are set out in note 51 to the consolidated financial statements.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilized. The Group strives to become an environmental-friendly corporation by saving electricity and encouraging recycling of office supplies and other materials.

During the year under review, to the best knowledge of the Directors, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business Risk

All of the operating assets of the Group are located in the PRC and the Group expects that a majority of the turnover will continue to be derived from the operations in the PRC. The results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on the current or future business, results of operation or financial condition of the Group.

Foreign Currency Risk

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Financial Risk

The financial risk management of the Group are set out in note 49 to the consolidated financial statements.

FINANCIAL STATEMENTS

The financial performance of the Group for the year ended 31 December 2015 and the financial position of the Group as at that date are set out on pages 44 to 46.

Directors' Report (Continued)

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2015 are set out on page 49.

DISTRIBUTABLE RESERVES

At 31 December 2015 and 2014, the Company had no reserves available for distribution.

FIXED ASSETS

Details of movements during the year ended 31 December 2015 in the property, plant and equipment, solar power plants, investment properties and lease prepayments of the Group are set out in notes 17, 18, 20 and 22 to the financial statements, respectively.

SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2015 and as at that date are set out in note 35 to the financial statements.

ISSUE OF NEW SHARES AND USE OF PROCEEDS

Issue of new shares

(i) On 23 March 2015, the Company entered into a placing agreement ("2015 March Placing Agreement") with three placing agents in relation to the placing of 352,000,000 new ordinary shares of the Company (the "2015 March Placing") to not less than six placees at the placing price of HK$1.07 per placing share (the "2015 March Placing Price"). The 2015 March Placing was completed on 10 April 2015 and 352,000,000 new shares (the "2015 March Placed Shares") of the Company were placed and raised funds of, after deducting the related placing commission, professional fees and all related expenses, approximately HK$365.1 million (equivalent to approximately RMB$289.1 million).

The 2015 March Placed Shares represented approximately 4.25% of the issued share capital of the Company as at the date of the 2015 March Placing Agreement and approximately 4.07% of the issued share capital of the Company as enlarged by the issue of the 2015 March Placed Shares pursuant to the 2015 March Placing. The 2015 March Placed Shares had a market value of approximately HK$464,640,000 based on the closing price of the shares of the Company of HK$1.32 on 20 March 2015, the last trading day for the shares before the date of 2015 March Placing Agreement.

The 2015 March Placing Price of HK$1.07 represented (i) a discount of approximately 18.9% to the closing price of the shares of the Company of HK$1.32 per share as quoted on the Stock Exchange on 20 March 2015, the last trading day for the shares of the Company before the date of 2015 March Placing Agreement; and (ii) a discount of approximately 19.2% to the average closing prices of the shares of the Company of HK$1.324 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 20 March 2015, the last trading day for the shares before the date of 2015 March Placing Agreement.

The 2015 March Placing was being carried out for the Company to raise fund for investment in and acquisition of photovoltaic power plants, and as general working capital.

ISSUE OF NEW SHARES AND USE OF PROCEEDS *(continued)*

Issue of new shares *(continued)*

(ii) On 28 April 2015, the Company entered into a placing agreement ("2015 April Placing Agreement") with four placing agents in relation to the placing of up to 1,170,000,000 new ordinary shares of the Company (the "2015 April Placing") to not less than six placees at the placing price of HK$1.20 per placing share (the "2015 April Placing Price"). The 2015 April Placing was completed on 11 June 2015 and 1,144,700,000 new shares ("2015 April Placed Shares") of the Company were placed and raised funds of, after deducting the related placing commission, professional fees and all related expenses, approximately HK$1,333.1 million (equivalent to approximately RMB1,051.5 million).

The 2015 April Placed Shares represented approximately 13.24% of the issued share capital of the Company as at the date of the 2015 April Placing Agreement and approximately 11.70% of the issued share capital of the Company as enlarged by the issue of the 2015 April Placed Shares pursuant to the 2015 April Placing. The 2015 April Placed Shares had a market value of approximately HK$1,934,543,000 based on the closing price of the shares of the Company of HK$1.69 on 28 April 2015, the last trading day for the shares before the date of 2015 April Placing Agreement.

The 2015 April Placing Price of HK$1.20 represented (i) a discount of approximately 28.99% to the closing price of the shares of the Company of HK$1.69 per share as quoted on the Stock Exchange on 28 April 2015, the last trading day for the shares of the Company before the date of 2015 April Placing Agreement; and (ii) a discount of approximately 23.47% to the average closing prices of the shares of the Company of HK$1.568 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 April 2015, the last trading day for the shares before the date of 2015 April Placing Agreement.

The 2015 April Placing was being carried out for the Company to raise fund for investment in and acquisition of photovoltaic power plants, and as general working capital.

(iii) On 5 January 2016, the Company entered into a subscription agreement (the "Subscription Agreement") with Pohua JT. Pursuant to the Subscription Agreement, the Company agreed to allot and issue, and Pohua agreed to subscribe for 5,177,000,000 new ordinary shares of the Company (the "Subscription Shares") at the placing price of HK$0.66 per share (the "Subscription Price") (the "Subscription"). The Subscription was completed on 2 March 2016 and 5,177,000,000 new shares of the Company were allotted and issued to Pohua JT, and raised funds of, after the capitalisation of a loan in the principal amount of HK$1.5 billion provided by Pohua JT to the Company and the related interests and the deduction of the related expenses in connection with the Subscription, approximately HK$1.90 billion (equivalent to approximately RMB1.61 billion).

The Subscription Shares represented approximately 52.89% of the issued share capital of the Company as at the date of the Subscription Agreement and approximately 34.60% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares pursuant to the Subscription. The Subscription Shares had a market value of approximately HK$3,261,510,000 based on the closing price of the shares of the Company of HK$0.63 on 4 January 2016, the last trading day for the shares of the Company before the date of Subscription Agreement.

The Subscription Price of HK$0.66 represented (i) a premium of approximately 4.76% to the closing price of the shares of the Company of HK$0.63 on 4 January 2016, the last trading day for the shares of the Company before the date of Subscription Agreement; and (ii) a premium of approximately 3.13% to the average closing prices of the shares of the Company of HK$0.64 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 4 January 2016, the last trading day for the shares of the Company before the date of Subscription Agreement.

The Subscription was being carried out by the Group to raise funds to finance investment in and development of photovoltaic power station projects and repayment of other borrowings.

Directors' Report (Continued)

ISSUE OF NEW SHARES AND USE OF PROCEEDS *(continued)*

Use of proceeds for the year ended 31 December 2015

Equity fund raising exercise	Net Proceeds HK$	Intended use of proceeds	Actual use of proceeds Projects	Actual use of proceeds Amount RMB'000
2015 March Placing – Placing of 352,000,000 Shares	365.1 million (equivalent to approximately RMB289.1 million)	Investment in the acquisition of photovoltaic power plants and as general working capital	Acquisition of a 20 MW project in Hejing County, Xinjiang Province	193,600
			Partial payment in relation to the acquisition of a 49.5MW project in Yong Deng County, Gansu Province	95,507
			Total	289,107
2015 April Placing – Placing of 1,144,700,000 Shares	1,333.1 million (equivalent to approximately RMB1,051.5 million)	Investment in the acquisition of photovoltaic power plants and as general working capital	Partial payment in relation to the acquisition of a 49.5MW project in Yong Deng County, Gansu Province	395,720
			Partial payment in relation to the acquisition of two 30 MW projects in Artux City, Xinjiang Province	490,821
			Investment in a 60MW self-developed solar power plant project in Dunhuang, Gansu Province	164,980
			Total	1,051,521

As at 31 December 2015, all the proceeds from the 2015 March Placing and the 2015 April Placing had been fully utilised.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles") or the laws of Hong Kong, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

SHARE OPTION SCHEME

Pursuant to a resolution of the Company passed on 22 July 2009, the Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include employees or directors of the Company or the Group's holding companies or subsidiaries, advisers, consultants, agents, contractors, customers, suppliers or any entities in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

Details and the major terms of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to the participants in recognition of their contribution to the Group.

(ii) Participants

The Directors may offer to grant an option to any employee or director or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

(iii) Terms of options

The share options granted under the Share Option Scheme are subject to such terms and conditions as may be determined by the Directors at their absolute discretion and specified in the offer of a share option, which terms and conditions may include (a) vesting conditions which must be satisfied before a share option holder's share option shall become vested and capable of being exercised; and (b) the Directors may, in its absolute discretion, specify performance conditions that must be achieved before a share option can be exercised and/or the minimum period for which a share option must be held before it can be exercised.

(iv) Option price

The option price will be determined by the Directors at their absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of (a) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of an option; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of an option; and (c) the nominal value of the shares of the Company, if applicable.

SHARE OPTION SCHEME *(continued)*

(v) Maximum number of shares

(1) 10% Limit

(a) The total numbers of shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the aggregate of the shares of the Company in issue as at the date of adoption of the Share Option Scheme (i.e. 176,266,251 shares). Options lapsed in accordance with the terms of the Share Option Scheme and any other scheme will not be counted for the purpose of calculating the 10% limit in this paragraph.

(b) With the approval of the shareholders of the Company in general meeting, the Directors may "refresh" the 10% limit under paragraph (a) (and may further refresh such limit in accordance with this paragraph) provided that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the limit as "refreshed" shall not exceed 10% of the shares in issue as at the date on which the shareholders approve the "refreshed" limit. At the extraordinary general meeting of the Company held on 30 December 2014, the scheme limit was refreshed pursuant to which Directors are authorised to grant options to subscribe for up to 829,074,251 shares, representing 5.5% of the total number of shares in issue as at the date of this annual report.

Options previously granted (including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

(c) Subject to the limits as stated in elsewhere, the Directors may, with the approval of the shareholders, grant options in excess of the 10% limit to participants specifically identified before shareholders' approval is sought. In such situation, the Company will send a circular to the shareholders of the Company containing a generic description of the specified participants who may be granted such options, the number and terms of such options to be granted and the purpose of granting such options to the specified participants with an explanation of how the terms of the options will serve the purpose.

(2) 30% Limit

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(vi) Maximum entitlement of each participant

Subject to other limits as otherwise stated, the Directors shall not grant any options to any participant which, if exercised, would result in such participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised or outstanding) in any 12-month period exceed 1% of the shares of the Company in issue at such date. The Directors may grant options to any participant in excess of the individual limit of 1% in any 12-month period with the approval of the shareholders of the Company in general meeting with such participant and his associates abstaining from voting. A participant shall pay the Company HK$1.00 for the grant of an option on acceptance of an offer within 21 days after the date of offer.

SHARE OPTION SCHEME *(continued)*

(vii) Time of exercise of options

An option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time during such period notified by the Directors as not exceeding 10 years from the date on which a participant is offered such option. The exercise of options may also be subject to any conditions imposed by the Directors at the time of offer.

(viii) Term of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme (i.e. 21 July 2019), after which period no further options may be granted under the Share Option Scheme. The Directors may terminate the Share Option Scheme at any time and in such event no further options shall be granted under the Share Option Scheme but any options which have been granted but not yet exercised shall continue to be valid and exercisable.

The followings are details of the options granted (the "Granted Options") pursuant to the Share Option Scheme but not yet exercised as at 31 December 2015:

Grantee	Date of grant	No. of share options outstanding as at 1 January 2015	Exercise Price HK$	Number of options granted/ cancelled/ lapsed/exercised during the year ended 31 December 2015	Number of options outstanding as at 31 December 2015	Approximate percentage of shareholding upon fully exercise of share options*
Executive Directors						
Liu Wen Ping	8 October 2014	60,000,000	1.10	–	60,000,000	0.58%
Chang Hoi Nam	8 October 2014	2,000,000	1.10	–	2,000,000	0.02%
Non-executive Directors						
Ma Ji	18 June 2015	–	1.20	4,000,000	4,000,000	0.04%
Chang Tat Joel	11 November 2014	2,000,000	1.16	–	2,000,000	0.02%
Independent non-executive Directors						
Miu Hon Kit	8 October 2014	1,000,000	1.10	–	1,000,000	0.01%
Wang Haisheng	8 October 2014	1,000,000	1.10	–	1,000,000	0.01%
Lu Hongda	11 November 2014	1,000,000	1.16	–	1,000,000	0.01%
		67,000,000	–	4,000,000	71,000,000	0.69%
Other employees and consultants of the Group	8 October 2014	401,700,000	1.10	–	401,700,000	3.92%
Total		468,700,000	–	4,000,000	472,700,000	4.61%

* The percentage represents the number of underlying shares interested divided by the enlarged issue share capital of the Company as at 31 December 2015, assuming all the outstanding share options are exercised.

SHARE OPTION SCHEME *(continued)*

The period within which the Granted Options could be exercised under the Share Option Scheme:

Exercise period	Number of options exercisable
From 1st anniversary of the date of grant to 2nd anniversary of the date of grant	Up to 25% of the total number of Granted Options
From 2nd anniversary of the date of grant to 3rd anniversary of the date of grant	Up to 25% of the total number of Granted Options
From 3rd anniversary of the date of grant to 4th anniversary of the date of grant	Up to 25% of the total number of Granted Options
From 4th anniversary of the date of grant to 5th anniversary of the date of grant	Up to 25% of the total number of Granted Options

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

LOANS AND BORROWINGS AND CORPORATE BONDS

Particulars of loans and borrowings and corporate bonds of the Group as at 31 December 2015 are set out in notes 30 and 33 respectively to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2015, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors
Liu Wen Ping
Chang Hoi Nam

Non-executive Directors
Ma Ji (*Chairman*) (appointed on 18 June 2015)
Chang Tat Joel

Independent non-executive Directors
Miu Hon Kit
Wang Haisheng
Lu Hongda

In accordance with article 77 of the Company's Articles, Dr. Ma Ji will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting (the "AGM").

In accordance with articles 81 and 84 of the Company's Articles, Mr. Chang Hoi Nam, Mr. Miu Hon Kit and Mr. Wang Haisheng will retire by rotation and, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) has signed a letter of appointment with the Company. There is no fixed term of service for each of the Directors with the Company. Each of the Directors will hold office only until the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting and retirement by rotation at the subsequent annual general meetings of the Company in accordance with the Articles.

None of the Directors has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

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

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

DIRECTORS' REMUNERATION

The remuneration committee of the Company (the "Remuneration Committee") considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of Directors' remuneration are set out in note 11 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 16.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director has a material interest in, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors held any interests in any competing business against the Company or any of its jointly controlled entities and subsidiaries for the year ended 31 December 2015.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The information required for disclosure under Rules 13.20 of the Listing Rules in relation to the Group's advance to an entity are set out below:

During the year ended 31 December 2015, the Group had made advances in the aggregate amount of approximately RMB1,181.9 million (the "Advance") to 中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.*) ("Zhongke"), a third party independent of each of the Company and its connected persons (within the meaning of the Listing Rules). The Advance was used by Zhongke for development of its investments projects and is interest-free. As at 31 December 2015, the aggregate Advance outstanding was approximately RMB1,144,109,000 (2014: RMB2,208,000) and the Advance represented approximately 11.0% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Chang Tat Joel, a non-executive Director, was appointed as an executive Director of Mason Financial Holdings Limited (Stock code: 273), a company listed on the main board of the Stock Exchange, with effect from 8 September 2016.

Mr. Miu Hon Kit, an independent non-executive Director, was appointed as an independent non-executive Director of Gold Tat Group International Limited (Stock code: 8266) and Chong Kin Group Holdings Limited (Stock code: 1609), a company listed on the GEM board and main board of the Stock Exchange, with effect from 1 March 2016 and 27 September 2016, respectively.

* The English translation of this company's name is for reference only. The official name of this company is in Chinese.

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

As at 31 December 2015, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be recoded in the register required to be kept pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (the "Model Code") as set out in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Interest in underlying shares of the Company

Name of Director	Nature of interest	Date of share options granted	Number of share options outstanding as at 31 December 2015	Approximate percentage of shareholding upon fully exercise of share options*
Liu Wen Ping	Beneficial owner	8 October 2014	60,000,000	0.58%
Chang Hoi Nam	Beneficial owner	8 October 2014	2,000,000	0.02%
Ma Ji	Beneficial owner	18 June 2015	4,000,000	0.04%
Chang Tat Joel	Beneficial owner	11 November 2014	2,000,000	0.02%
Miu Hon Kit	Beneficial owner	8 October 2014	1,000,000	0.01%
Wang Haisheng	Beneficial owner	8 October 2014	1,000,000	0.01%
Lu Hongda	Beneficial owner	11 November 2014	1,000,000	0.01%
			71,000,000	0.69%

Note: Details of the above share options as required by the Listing Rules have been disclosed in the above paragraph headed "Share Option Scheme".

* The percentage represents the number of underlying shares interested divided by the enlarged issue share capital of the Company as at 31 December 2015, assuming all the outstanding share options are exercised.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director, as at 31 December 2015, the following persons, other than a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of shares or underlying shares held	Percentage of shareholding[3]
Golden Port Holdings Limited	Deemed interest in controlled corporation[1]	5,855,820,000	59.83%
Pohua JT Capital Partners Limited	Deemed interest in controlled corporation[1]	5,855,820,000	59.83%
Pohua JT Private Equity Fund L.P.	Beneficial owner[1]	5,855,820,000	59.83%
Zhejiang Province Finance Development Company* 浙江省財務開發公司	Deemed interest in controlled corporation[2]	1,125,000,000	11.49%
Zhejiang Province Financial Holding Company Limited* 浙江省金融控股公司	Deemed interest in controlled corporation[2]	1,125,000,000	11.49%
Caitong Securities Co., Limited	Deemed interest in controlled corporation[2]	1,125,000,000	11.49%
Caitong Securities (Hong Kong) Co., Limited	Deemed interest in controlled corporation[2]	1,125,000,000	11.49%
Caitong International Asset Management Co., Limited	Deemed interest in controlled corporation[2]	1,125,000,000	11.49%
Caitong International Capital Management Limited	Beneficial owner[2]	1,125,000,000	11.49%

* The English translation of these companies' names is for reference only. The official names of these companies are in Chinese.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

(1) Pohua JT Capital Partners Limited is the general partner of Pohua JT Private Equity Fund L.P.. Pohua JT Capital Partners Limited is owned as to 49% by Golden Port Holdings Limited. Accordingly, each of Golden Port Holdings Limited and Pohua JT Capital Partners Limited is deemed to be interested in an aggregate of 5,855,820,000 shares held by Pohua JT Private Equity Fund L.P..

(2) Caitong International Capital Management Limited is wholly-owned by Caitong International Asset Management Co., Limited which in turn is wholly-owned by Caitong Securities (Hong Kong) Co., Limited. Caitong Securities Co., Limited owned 100% equity interests of Caitong Securities (Hong Kong) Co., Limited, which in turn is owned as to 36.6% by Zhejiang Province Financial Holding Company Limited. Zhejiang Province Financial Holding Company Limited is wholly-owned by Zhejiang Province Finance Development Company. Accordingly, each of Zhejiang Province Finance Development Company, Zhejiang Province Financial Holding Company Limited, Caitong Securities Co., Limited, Caitong Securities (Hong Kong) Co., Limited and Caitong International Asset Management Co., Limited is deemed to be interested in an aggregate of 1,125,000,000 shares held by Caitong International Capital Management Limited.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules for the year ended 31 December 2015 and as at the date of this report.

RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately. As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. For the year ended 31 December 2015, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss amounted to approximately RMB1,104,000 (2014: RMB551,000).

PERMITTED INDEMNITY

The Company's Articles provides that every Director shall be entitled to be indemnified out of the funds of the Company against all liabilities incurred by him as such director, executive director, manager, secretary, officer or auditor in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Such provisions were in force during the course of the financial year ended 31 December 2015 and remained in force as of the date of this report.

ANNUAL GENERAL MEETING AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

As of the date of this report, the Company is in the course of applying to the High Court of Hong Kong for an order and/or relief to extend the time for the Company to (a) lay its reporting documents for the year ended 31 December 2015 and (b) to hold an annual general meeting in respect of the financial year ended 31 December 2015 pursuant to the Companies Ordinance (Cap. 622, laws of Hong Kong). The Company will arrange the time of convening the annual general meeting as soon as practicable in the event that the Courts grants the application, and the notice of the annual general meeting will be published and dispatched to shareholders of the Company in a timely manner in accordance with the requirements of the Listing Rules and the Articles of the Company in due course. Once the date of the annual general meeting is finalized, the Company will publish the period of closure of register of members of the Company in a separate announcement and in the notice of the annual general meeting.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2015 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

The Audit Committee consists of three independent non-executive Directors: Mr. Miu Hon Kit, Mr. Wang Haisheng and Mr. Lu Hongda. Mr. Miu Hon Kit serves as the chairman of the Audit Committee.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2014 were audited by KPMG ("KPMG"). KPMG resigned on 28 April 2016 and BDO Limited ("BDO") was appointed as auditor of the Company on 25 May 2016.

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by BDO, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed to the shareholders at the forthcoming annual general meeting to re-appoint BDO as auditor of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's five largest suppliers accounted for approximately 84.9% (2014: 85.9%) of the Group's total purchases. The largest supplier accounted for approximately 22.6% (2014: 36.2%) of the Group's total purchases.

During the year under review, the Group's five largest customers accounted for approximately 85.4% (2014: 92.1%) of the Group's total sales. The largest customer accounted for approximately 30.7% (2014: 42.9%) of the Group's total sales.

To the best of the knowledge of the Directors, none of the directors, their close associates or substantial shareholders of the Company owns more than 5% of the Company's issued share capital nor had any interest in the share capital of any of the Group's five largest suppliers or customers.

BY ORDER OF THE BOARD

MA JI
Chairman

Hong Kong
13 December 2016

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 December 2015.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules for its corporate governance practices during the year under review. In the opinion of the Board, save for the deviation as disclosed below, the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2015.

Code Provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing non-executive Directors and independent non-executive Directors is appointed for specific term but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code in this respect.

THE BOARD

As at the date of this report, the Board consists of seven Directors, two of whom are executive Directors, two of whom are non-executive Directors and three of whom are independent non-executive Directors. The functions and duties conferred on the Board include convening shareholders' meetings and reporting on the work of the Board to the shareholders at shareholders' meetings as may be required by applicable laws, implementing resolutions passed at shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the Articles and applicable laws. The senior management is delegated with the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors, non-executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

All Directors have separate and independent access to the Company's senior management to fulfill their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by Directors.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

In accordance with articles 81 to 84 of the Articles, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

The biographical details of the current Board members are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 16 of this annual report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Office ("CEO") should be separate and should not be performed by the same individual.

During the year ended 31 December 2015, Mr. Ma Ji assumed the roles of Chairman of the Board.

During the year ended 31 December 2015, the Company has not appointed CEO, and the roles and functions of the CEO have been performed by all the executive Directors collectively.

The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the posts of the CEO as appropriate and will make further announcement accordingly.

Non-executive Directors

Each of the non-executive Directors and independent non-executive Directors has entered into a service contract with the Company, who will hold office only until the next following general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting and retirement by rotation at subsequent annual general meetings of the Company in accordance with the Articles of the Company.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs. Each of these committees comprises independent non-executive Directors who are being invited to join as members.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting, risk management and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit.

The Audit Committee also provides supervision over the risk management and internal control systems of the Group and reports to the Board on any material issues and makes recommendations to the Board.

The Audit Committee consists of three independent non-executive Directors: Mr. Miu Hon Kit, Mr. Wang Haisheng and Mr. Lu Hongda. Mr. Miu Hon Kit serves as the chairman of the Audit Committee.

During the year ended 31 December 2015, the Audit Committee held its meetings on 20 March 2015 and 28 August 2015. The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended 30 June 2015 and for the year ended 31 December 2015 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

AUDIT COMMITTEE *(continued)*

During the year under review, the Audit Committee is also responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") has been established with written terms of reference in compliance with the CG Code. The principal responsibilities of the Remuneration Committee are to formulate and recommend remuneration policy to the Board, to determine the remuneration of executive Directors and members of senior management, to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and to make recommendation on other remuneration related issues. The Board expects the Remuneration Committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration. The Remuneration Committee consists of three independent non-executive Directors: Mr. Lu Hongda, Mr. Miu Hon Kit and Mr. Wang Haisheng. Mr. Lu Hongda serves as the chairman of the Remuneration Committee. The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The Remuneration Committee reviews such packages annually, or when the occasion requires. During the year ended 31 December 2015, the Remuneration Committee held its meetings on 20 March 2015, 18 June 2015 and 28 August 2015.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has been established with its written terms of reference in compliance with the CG code. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, appointment, re-appointment of Directors and Board succession and assessing the independence of independent non-executive Directors. When considering the suitability of a candidate for directorship, the Nomination Committee also considered the "Board Diversity Policy" adopted by the Board and the requirements under the Listing Rules. Based on the above criteria, members of the Nomination Committee have reviewed the composition of the Board and confirmed that the existing Board was appropriately structured and no change was required. The Nomination Committee consists of three independent non-executive Directors: Mr. Wang Haisheng, Mr. Miu Hon Kit and Mr. Lu Hongda. Mr. Wang Haisheng serves as the chairman of the Nomination Committee. During the year ended 31 December 2015, the Nomination Committee held its meetings on 20 March 2015, 18 June 2015 and 28 August 2015.

Corporate Governance Report (Continued)

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, general meetings of the Company, meetings of the Audit Committee, Remuneration Committee and Nomination Committee for the year ended 31 December 2015 is set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meeting	Extraordinary General Meeting
Executive Directors:						
Liu Wen Ping	6/6	N/A	N/A	N/A	1/1	1/1
Chang Hoi Nam	6/6	N/A	N/A	N/A	0/1	0/1
Non-Executive Directors:						
Ma Ji (appointed on 18 June 2015)	1/1	N/A	N/A	N/A	N/A	N/A
Chang Tat Joel	5/6	N/A	N/A	N/A	0/1	0/1
Independent Non-Executive Directors:						
Miu Hon Kit	6/6	2/2	3/3	3/3	1/1	1/1
Wang Haisheng	6/6	2/2	3/3	3/3	0/1	0/1
Lu Hongda	5/6	2/2	3/3	3/3	0/1	0/1

DIRECTORS' TRAINING

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed Director or alternative Director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements. The Group also provided briefings and other training to develop and refresh the Directors' knowledge and skills from time to time. Further, the Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Company arranged one in-house seminar on 25 September 2015, covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and SFO. All of the Directors have attended the in-house seminar.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors during the year ended 31 December 2015. The Board confirms that, having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards of the Model Code throughout the year ended 31 December 2015.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2015 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

EXTERNAL AUDITOR

On 28 April 2016, KPMG resigned as the auditor of the Company with effect from 28 April 2016 as the Company and KPMG could not reach a consensus to the audit fee for additional audit work required. An announcement was published by the Company on 28 April 2016, which specified the circumstances leading to the resignation of KPMG and that KPMG has confirmed that there are no other matters that need to be brought to the attention of the shareholders of the Company. The Company also confirmed that there are no matters in relation to the resignation of KPMG that need to be brought to the attention of the shareholders of the Company. During the year ended 31 December 2015, the auditors' remuneration in respect of audit services and non-audit services provided by the auditors of the Group charged to the consolidated statement of profit or loss amounted to approximately RMB9,865,000 (2014: RMB1,743,000) and approximately RMB3,832,000 (2014: RMB3,000), respectively.

BDO Limited has been appointed on 25 May 2016 as the external auditor of the Company to fill the vacancy following the resignation of KPMG and to hold office until the conclusion of the next AGM of the Company.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 31 December 2015.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Group's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Group has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place for the year ended 31 December 2015 and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining a clear, timely and effective communication with the shareholders of the Company and investors. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.kongsun-hldgs.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and members of various Board committees will attend the annual general meeting of the Company and answer any questions raised. The resolution of every important proposal will be proposed at general meetings separately. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

SHAREHOLDER RIGHTS

Convening an extraordinary general meeting by shareholders

Procedures for shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting)

- Any one or more shareholders holding at the date of deposit of the requisition not less than five per cent of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at an extraordinary general meeting.

- Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at an extraordinary general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene an extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the memorandum and articles of associations, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

SHAREHOLDER RIGHTS *(continued)*

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to ir@kongsunhldgs.com.

CONSTITUTIONAL DOCUMENT

During the year ended 31 December 2015, there was no change in the constitutional documents of the Company.

INVESTOR RELATIONS

Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at www.kongsun-hldgs.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted. Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number: 852-3188 8851

By post: Unit 3601, 36/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

Attention: The Company Secretary

By email: ir@kongsunhldgs.com

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KONG SUN HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Kong Sun Holdings Limited (the "Company") and its subsidiaries (hereafter referred to as "the Group") set out on pages 44 to 131, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

During the year ended 31 December 2015, the Group entered into eleven sales and eleven corresponding purchases related to the solar modules and equipment of approximately RMB621,053,000 and RMB566,552,000 (both value-added tax exclusive) respectively (collectively the "Transactions"). Trade receivables and trade payables relating to the Transactions were RMB726,632,000 and RMB662,865,000 (both value-added tax inclusive) respectively as at 31 December 2015. The customers and suppliers of the Transactions are fellow subsidiaries of the same groups (the "Customers and Suppliers within the Same Groups"). As a result of the Transactions, the Group recorded a gross profit of approximately RMB54,501,000 for the year ended 31 December 2015. The Customers and Suppliers within the Same Groups are companies engaged in investment in and operation of solar power plants in the People's Republic of China (the "PRC") and are the manufacturers of solar modules and equipment respectively. The directors of the Company represented that the Transactions had business substance because, in addition to the sales and purchases of solar modules and equipment (the "Trading of Goods"), the Group had provided additional value-added services (the "Value-added Services") to the Customers and Suppliers within the Same Groups which included but not limited to the following: (i) technical advice to the supply arms on their production; (ii) architectural design of their solar power plants; (iii) adjustment and fine-tune on the modules and equipment installed in their solar power plants; (iv) construction and engineering management on their solar power plants; (v) grid connection preparation services; and (vi) other follow-up services (collectively, referred to the "Rendering of Value-added Services"). In summary, the directors of the Company represented to us that the Transactions were structured as a bundle of Rendering of Value-added Services and Trading of Goods. In these consolidated financial statements, the Transactions were accounted for as sales and purchases with no service income being recognised and grouped within the Group's photovoltaic business segment.

In respect of the element of Trading of Goods, we have obtained the explanations from the Company's management about the basis for the business substance. However, we have not been able to obtain sufficient appropriate audit evidence to support the commercial rationale of the Trading of Goods included in the Transactions as represented by the Company's management. Accordingly, we are unable to determine whether the Transactions should be recognised as sales and purchases in the Company's consolidated financial statements for the year ended 31 December 2015 and whether the related trade receivables and trade payables have been appropriately presented as at that date.

In respect of the Rendering of Value-added Services, the contracts of the Transactions did not contain any details about these services and there was no other documentary evidence to support the existence and extent of these services rendered by the Group. We have obtained the explanations from the Company's management the reasons leading to the absence of the evidence. However, we have not been able to obtain sufficient appropriate audit evidence to determine whether the Transactions contained any service element and whether the Group have completed these services during the year ended 31 December 2015. Should there been no Value-added Services included in the Transactions, together with the limitation in our scope of work relating to the element of Trading of Goods (see the paragraph immediate above), the business substance of the Transactions as represented by the Company's directors would not sustain.

Had we been able to obtain sufficient appropriate audit evidence concerning the existence and the Group's performance of the Value-added Services, we would have considered that the Group should have recognised service fee income in these financial statements no matter whether the business substance of the element of Trading of Goods is sustained.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the matters as described in the basis for qualified opinion paragraphs above:

– we were unable to determine whether adequate accounting records had been kept; and

– we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05440

Hong Kong, 13 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	7	**1,736,278**	524,283
Cost of sales		**(1,545,128)**	(475,130)
Gross profit		**191,150**	49,153
Gain on fair value changes on investment properties	20	**5,222**	2,298
Other revenue	8	**10,264**	9,434
Other net income	8	**1,071**	7,958
Distribution costs		**(72)**	(137)
Administrative expenses		**(190,797)**	(40,225)
Gain on disposal of a subsidiary	44	**21,006**	–
Finance costs	13	**(62,762)**	(7,694)
Impairment loss of a disposal group classified as held for sale	28	**(57,158)**	–
Share of loss of a joint venture	19	**(1,342)**	–
(Loss)/Profit before income tax	9	**(83,418)**	20,787
Income tax expense	14	**(15,576)**	(9,120)
(Loss)/Profit for the year		**(98,994)**	11,667
(Loss)/Earnings per share	16		
– Basic and diluted *(RMB cents)*		**(1.08)**	0.27
(Loss)/Profit for the year		**(98,994)**	11,667
Other comprehensive income, net of tax	15		
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**(1,840)**	(5,109)
– Release of exchange reserve upon disposal of a subsidiary		**(623)**	–
– Available-for-sale financial assets		**–**	(12,331)
Other comprehensive income for the year, net of tax		**(2,463)**	(17,440)
Total comprehensive income for the year		**(101,457)**	(5,773)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	38,554	26,264
Solar power plants	18	4,418,018	1,568,150
Investment in a joint venture	19	286,891	–
Investment properties	20	49,010	77,943
Goodwill	21	86,261	35,050
Lease prepayments	22	51,115	22,778
		4,929,849	1,730,185
Current assets			
Inventories	23	1,181	2,691
Trade and other receivables	24	3,950,076	604,349
Structured bank deposits	25	700,000	–
Pledged bank deposits	26	–	152,223
Cash and cash equivalents	27	637,732	1,008,312
		5,288,989	1,767,575
Assets of a disposal group classified as held for sale	28	188,557	–
Total current assets		5,477,546	1,767,575
Current liabilities			
Trade and other payables	29	2,435,026	739,482
Loans and borrowings	30	1,028,517	198,801
Obligations under finance leases	31	276	246
Current taxation		15,753	9,354
		3,479,572	947,883
Liabilities of a disposal group classified as held for sale	28	3,090	–
Total current liabilities		3,482,662	947,883
Net current assets		1,994,884	819,692
Total assets less current liabilities		6,924,733	2,549,877

Consolidated Statement of Financial Position (Continued)

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Other payables		–	18,360
Loans and borrowings	30	1,940,097	423,702
Obligations under finance leases	31	531	650
Loan from ultimate holding company	32	1,256,670	–
Corporate bonds	33	322,008	–
Deferred tax liabilities	34	3,230	5,656
		3,522,536	448,368
NET ASSETS		3,402,197	2,101,509
CAPITAL AND RESERVES			
Share capital	35	3,608,604	2,267,976
Reserves	36	(206,407)	(166,467)
TOTAL EQUITY		3,402,197	2,101,509

On behalf of the directors

Ma Ji
Chairman

Liu Wen Ping
Executive Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
(Loss)/Profit before income tax		(83,418)	20,787
Adjustments for:			
Depreciation of property, plant and equipment	17	2,406	2,556
Depreciation of solar power plants	18	83,601	1,658
Amortisation of lease prepayment	22	1,347	451
Equity settled share-based payment expenses		61,517	15,448
Foreign exchange gain, net		(5,548)	(6,182)
Gain on disposal of a subsidiary		(21,006)	–
Gain on disposal of available-for-sale financial assets		–	(6,735)
Gain on disposal of property, plant and equipment		(359)	(2,698)
Gain on fair value changes of investment properties		(5,222)	(2,298)
Impairment loss on a disposal group classified as held for sale		57,158	–
Share of loss of a joint venture		1,342	–
Interest expense		62,762	7,694
Interest income		(3,580)	(6,160)
Write-off of inventories		622	–
Operating profit before working capital changes		151,622	24,521
Decrease in inventories		902	2,712
Increase in trade and other receivables		(3,192,562)	(414,918)
(Decrease)/Increase in trade and other payables		(73,341)	88,673
Cash used in operations		(3,113,379)	(299,012)
Tax paid		(9,414)	–
Net cash used in operating activities		(3,122,793)	(299,012)
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		(15,385)	(1,762)
Proceeds from sale of property, plant and equipment		2,157	3,098
Payment for construction cost in respect of solar power plants		(516,250)	(197,034)
Payment for purchase of available-for-sale securities		–	(3,922)
Proceeds from sale of available-for-sale securities		–	31,430
Payment for purchase of lease prepayments		(26,504)	–
Interest received		5,932	3,290
Decrease/(Increase) in pledged bank deposits		152,223	(152,117)
Disposal of a subsidiary, net of cash disposed	44	55,618	–
Proceeds from disposal of held-for-trading investments		–	844
Increase in structured bank deposits		(700,000)	–
Capital injection in a joint venture		(288,233)	–
Acquisition of subsidiaries	45	(216,287)	(490,770)
Net cash used in investing activities		(1,546,729)	(806,943)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Capital element of finance lease rentals paid		(139)	(120)
Proceeds from placing of new shares		1,381,788	1,866,456
Payment of transaction costs on placing of new shares		(41,160)	(2,195)
Net proceeds from issue of corporate bonds		308,803	–
Proceed from loan from ultimate holding company		1,256,670	–
Proceeds from new loans and borrowings		1,678,977	250,890
Repayment of loans and borrowings		(235,901)	(82,759)
Interest paid		(53,242)	(6,594)
Net cash generated from financing activities		4,295,796	2,025,678
Net (decrease)/increase in cash and cash equivalents		(373,726)	919,723
Cash and cash equivalent at beginning of year		1,008,312	87,933
Effect of exchange rate changes on cash and cash equivalents		3,408	656
Cash and cash equivalents at end of year		637,994	1,008,312
Cash and cash equivalents as at 31 December, represented by:			
Bank balances and cash	27	637,732	1,008,312
Bank balances and cash included in assets classified as held for sale	28	262	–
Cash and cash equivalents at end of year		637,994	1,008,312

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to the equity shareholder of the Company								
	Share capital RMB'000 (note 35)	Share premium RMB'000 (note 36(i))	Capital redemption reserve RMB'000 (note 36(i))	PRC statutory reserve RMB'000 (note 36(ii))	Exchange reserve RMB'000 (note 36(iii))	Fair value reserve RMB'000 (note 36(iv))	Equity settled share-based payment reserve RMB'000 (note 36(v))	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2014	69,008	334,686	21	–	(29,551)	12,331	–	(158,922)	227,573
Profit for the year	–	–	–	–	–	–	–	11,667	11,667
Other comprehensive income	–	–	–	–	(5,109)	(12,331)	–	–	(17,440)
Total comprehensive income	–	–	–	–	(5,109)	(12,331)	–	11,667	(5,773)
Transfer upon the abolition of nominal value of shares on 3 March 2014	334,707	(334,686)	(21)	–	–	–	–	–	–
Placing of new shares (note 35(d))	1,864,261	–	–	–	–	–	–	–	1,864,261
Equity settled share-based transactions	–	–	–	–	–	–	15,448	–	15,448
Appropriation to PRC statutory reserves	–	–	–	2,806	–	–	–	(2,806)	–
Balance at 31 December 2014 and 1 January 2015	2,267,976	–	–	2,806	(34,660)	–	15,448	(150,061)	2,101,509
Loss for the year	–	–	–	–	–	–	–	(98,994)	(98,994)
Other comprehensive income	–	–	–	–	(2,463)	–	–	–	(2,463)
Total comprehensive income	–	–	–	–	(2,463)	–	–	(98,994)	(101,457)
Placing of new shares (notes 35(b) and (c))	1,340,628	–	–	–	–	–	–	–	1,340,628
Equity settled share-based transactions	–	–	–	–	–	–	61,517	–	61,517
Appropriation to PRC statutory reserves	–	–	–	6,757	–	–	–	(6,757)	–
Balance at 31 December 2015	3,608,604	–	–	9,563	(37,123)	–	76,965	(255,812)	3,402,197

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

Kong Sun Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The address of its registered office and its principal place of business is located at Unit 3601, 36/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The directors of the Company consider the immediate parent and ultimate holding company of the Group to be Pohua JT Private Equity Fund L.P. ("Pohua JT"), a private equity investment fund established in the Cayman Islands. Pohua JT does not produce financial statements available for public use.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are investment in and operation of photovoltaic power plants, properties investment, manufacturing and sales of life-like plants.

2. ADOPTION OF HKFRSs

2.1 Adoption of new/revised HKFRSs – effective 1 January 2015

In the current year, the Company and its subsidiaries (the "Group") have applied for the first time the following new/amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements to 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to 2011–2013 Cycle

The adoption of these amendments has no material impact on the Group's financial statements.

2.2 New/amended HKFRSs that have been issued but are not yet effective

The following new/amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or a date to be determined

2. ADOPTION OF HKFRSs *(continued)*

2.2 New/amended HKFRSs that have been issued but are not yet effective *(continued)*

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

2. ADOPTION OF HKFRSs *(continued)*

2.2 New/amended HKFRSs that have been issued but are not yet effective *(continued)*

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantity the effects on the Group's financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

2. ADOPTION OF HKFRSs *(continued)*

2.3 New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance (Chapter 622) of the Laws of Hong Kong (the "Hong Kong Companies Ordinance"), which came into effect on 3 March 2014, in relation to the preparation of financial statements apply to the Company in this financial year.

The Directors consider that there is no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements on pages 44 to 131 have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain investment properties which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new/amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

3. BASIS OF PREPARATION *(continued)*

3.3 Functional and presentation currency

The Company and other investment holding subsidiaries incorporated in the British Virgin Islands and Hong Kong have their functional currencies in Hong Kong dollars ("HK$") and subsidiaries established in the People's Republic of China (the "PRC") have their functional currencies in Renminbi ("RMB"). Along with the successful acquisitions of the PRC Subsidiaries during the year ended 31 December 2014, the directors reassessed the Company's functional currency and considered that the functional currency of the Company should be changed from HK$ to RMB starting from 1 January 2014 as RMB has become the currency that mainly influences the sales prices of goods and services and the costs of providing those goods and services of the Company's significant subsidiaries. The change of functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates". All financial information presented in RMB has been rounded to the nearest thousand.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.1 Basis of consolidation *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is 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, the profit or loss on disposal 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 interest. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Subsidiaries

A Subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

When the Group acquires a subsidiary where the underlying assets are not integrated in forming a business to generate revenues, the transaction is accounted for as a purchase of net assets. The cost of the acquisition is allocated to the identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition and no goodwill is recognised.

4.3 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of post-acquisition changes in the joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is an obligation to make good those losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.3 Joint arrangements *(continued)*

Profits or losses arising on the transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint venture. The investors' share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture. Where unrealised losses provide evidence of impairment of the assets transferred they are recognised immediately to profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4.4 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired (see note 4.8).

On subsequent disposal of a subsidiary or cash-generating unit, any attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

4.5 Investment properties

Investment properties are properties held either to earn rental income and/or for capital appreciation (including properties under construction for such purposes), but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose.

Investment properties are measured at cost, including transaction cost, on initial recognition. Subsequent to initial recognition, investment properties are measured at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the properties) is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.6 Property, plant and equipment

Property, plant and equipment, are stated at acquisition cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

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

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	Over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion
Plant and machinery	10 – 15 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years
Solar power plants	20 years

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned asset or where shorter, the terms of the relevant lease.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.7 Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on straight-line method as an expense.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.8 Impairment of other non-financial assets

The Group's property, plant and equipment, solar power plants, investment in a joint venture and goodwill are subject for impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGU that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment loss recognised for CGU, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss on goodwill is not reversed in subsequent periods whilst an impairment loss on other assets is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment loss recognised in an interim period in respect of goodwill is not reversed in a subsequent period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.9 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on straight-line method over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on straight-line method over the lease term. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

The Group as lessee under operating leases

Total rentals payable under operating leases are recognised in profit or loss on straight-line method over the term of the relevant lease. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

The Group as lessee under finance leases

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. Interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Total rentals payable under the operating leases are recognised in profit or loss on straight-line method over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.10 Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- granting concessions to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in technological, market, economic or legal environment that have an adverse effect on the debtor.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.10 Financial instruments *(continued)*

(ii) Impairment loss on financial assets *(continued)*

Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

(iv) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Loans and borrowings/Loan from ultimate holding company/Corporate bonds

These are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using effective interest method. The related interest is recognised in accordance with the Group's accounting policy for borrowing costs (note 4.14). They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 4.9).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.10 Financial instruments *(continued)*

(v) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

The Hong Kong Companies Ordinance, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s.148 and s.149 of the Ordinance.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.11 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method/first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Sales of electricity is recognised when electricity is generated and supplied to the provincial power grid;

– Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

– Rental income under operating lease is recognised on a straight-line basis over the term of the relevant lease;

– Interest income is recognised on time-proportion basis using effective interest method; and

– Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them, Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

4.13 Foreign currency

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.13 Foreign currency *(continued)*

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the reporting date. Income and expenses have been converted into the RMB at the average rates over the reporting period provided that the exchange rates over that period did not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into RMB at the closing rates. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

4.14 Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.15 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.15 Income taxes *(continued)*

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and jointly controlled entity, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.16 Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4.17 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

The Group also operates a phantom share option scheme. An option pricing model is used to measure the Group's liability at the end of each reporting period, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in profit or loss.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.18 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one of more future uncertain events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.19 Related parties

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.19 Related parties *(continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependants of that person or that person's spouse or domestic partner.

4.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The Group manages its businesses by subsidiaries. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

Solar power plants	:	this segment engages in generating and sales of electricity.
Trading of solar energy related products	:	this segment engages in trading of solar energy related products.
Manufacturing and sales of life-like plants	:	this segment engages in manufacturing and sales of life-like plants.
Properties investment	:	this segment leases out properties to generate rental income and to gain from the appreciation in the properties' value in the long term.
Securities investment	:	this segment engaged in the trading of listed securities.

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all non-current and current assets with the exception of corporate assets. Segment liabilities include trade creditors and other payable attributable to the individual segments and loans and borrowings managed directly by the segments.

Turnover and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.20 Segment reporting *(continued)*

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

4.21 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Depreciation and amortisation

The Group depreciates and amortises property, plant and equipment and intangible assets other than goodwill on straight-line method over the estimated useful life, and after taking into account of their estimated residual value, 5% to 33-1/3% per annum and 10% to 50% per annum, respectively, commencing from the date on which the assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets.

(ii) Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 4.8. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flow management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of CGUs containing goodwill are disclosed in note 21.

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(v) Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and PRC. Significant judgement is required in determining the amount of the provision for taxes and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income taxes and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(vi) Investment properties

Investment property is stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors have exercised their judgements and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the investment property and the corresponding adjustment to the amount of gain or loss would be recognised in profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

6. SEGMENT INFORMATION

(a) Business segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below.

	Year ended 31 December 2015				
	Solar power plants RMB'000	Trading of solar energy related products RMB'000	Manufacturing and sales of life-like plants RMB'000	Properties investment RMB'000	Total RMB'000
Revenue from external customers	118,032	1,611,711	4,929	1,606	1,736,278
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	118,032	1,611,711	4,929	1,606	1,736,278
Reportable segment profit/(loss) (adjusted EBITDA)	58,887	58,857	(4,167)	5,317	118,894
Interest income	132	2,591	108	–	2,831
Interest expense	38,284	1,740	219	–	40,243
Depreciation and amortisation for the year	84,568	455	581	450	86,054
Reportable segment assets	5,590,857	5,556,804	12,780	50,294	11,210,735
Additions to non-current assets during the year	3,210,994	9,350	562	–	3,220,906
Reportable segment liabilities	3,051,889	3,598,751	11,243	2,982	6,664,865

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

6. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Year ended 31 December 2014					
	Solar power plants RMB'000	Trading of solar energy related products RMB'000	Manufacturing and sales of life-like plants RMB'000	Properties investment RMB'000	Securities investment RMB'000	Total RMB'000
Revenue from external customers	9,547	508,291	4,760	1,685	–	524,283
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	9,547	508,291	4,760	1,685	–	524,283
Reportable segment profit (adjusted EBITDA)	4,444	37,658	550	2,681	4,772	50,105
Interest income	5,134	31	1	–	737	5,903
Interest expense	7,402	1	291	–	–	7,694
Depreciation and amortisation for the year	1,417	241	2,515	41	–	4,214
Reportable segment assets	2,672,479	691,442	17,034	81,672	143,680	3,606,307
Additions to non-current assets during the year	1,616,709	745	–	–	–	1,617,454
Reportable segment liabilities	1,141,303	330,663	33,668	1,528	15,792	1,522,954

Notes to the Financial Statements (Continued)
For the year ended 31 December 2015

6. SEGMENT INFORMATION *(continued)*

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2015 RMB'000	2014 RMB'000
Revenue		
Reportable segment revenue	1,736,278	524,283
Elimination of inter-segment revenue	–	–
Consolidated revenue	1,736,278	524,283
(Loss)/Profit		
Reportable segment profit	118,894	50,105
Elimination of inter-segment profit	–	–
Other revenue and net income	11,335	17,392
Depreciation and amortisation	(87,354)	(4,665)
Finance costs	(62,762)	(7,694)
Unallocated corporate expenses	(63,531)	(34,351)
Consolidated (loss) profit before income tax	(83,418)	20,787
Assets		
Reportable segment assets	11,210,735	3,606,307
Elimination of inter-segment receivables	(1,540,380)	(143,367)
Investment in a joint venture	286,891	–
Unallocated corporate assets	450,149	34,820
Consolidated total assets	10,407,395	3,497,760
Liabilities		
Reportable segment liabilities	6,664,865	1,522,954
Elimination of inter-segment payables	(1,540,380)	(143,367)
Loan from ultimate holding company	1,256,670	–
Corporate bonds	322,008	–
Deferred tax liabilities	3,230	5,656
Unallocated corporate liabilities	298,805	11,008
Consolidated total liabilities	7,005,198	1,396,251

(c) Geographic information

As the Group does not have material operation outside the PRC, no geographic segment information is presented.

7. REVENUE

Revenue mainly represents income from sales of electricity (including tariff adjustment), sales value of goods supplied to customers and rental income. The amount of each significant category of revenue during the year is as follows:

	2015 RMB'000	2014 RMB'000
Sales of electricity	**118,032**	9,547
Sales of solar energy related products	**1,611,711**	508,291
Sales of life-like plants	**4,929**	4,760
Properties rental income	**1,606**	1,685
	1,736,278	524,283

Sales of electricity includes tariff adjustment amounted to approximately RMB86,113,000 (2014: RMB6,743,000).

For the year ended 31 December 2015, the major customers contributed over 10% of the total revenue of the Group are set out below:

Major customers	2015 RMB'000	2014 RMB'000
Customer A	**533,774**	–
Customer B	**373,128**	–
Customer C	**229,167**	–
Customer D	**178,120**	–
Customer E	**–**	225,179
Customer F	**–**	109,656
Customer G	**–**	75,094

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

8. OTHER REVENUE AND OTHER NET INCOME

	2015 RMB'000	2014 RMB'000
Other revenue		
Interest income	3,580	5,903
Loan interest income	–	257
Others	6,684	3,274
	10,264	9,434
Other net income		
Net foreign exchange gain/(loss)	712	(1,475)
Net gain on disposal of property, plant and equipment	359	2,698
Reclassified from equity upon disposal of available-for-sale financial assets (note 15(b))	–	6,735
	1,071	7,958

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

9. (LOSS)/PROFIT BEFORE INCOME TAX

The Group's (loss)/profit before income tax is arrived at after charging:

	2015 RMB'000	2014 RMB'000
Auditors' remuneration	9,865	1,743
Amortisation of lease prepayments (note 22)	1,347	451
Cost of inventories (note)	1,479,315	473,418
Depreciation		
– Property, plant and equipment (note 17)	2,406	2,556
– Solar power plants (note 18)	83,601	1,658
Operating lease charges in respect of properties	7,978	1,555

Note: For the year ended 31 December 2015, cost of inventories included approximately RMB622,000 (2014: Nil) relating to the write-off of inventories, RMB1,534,000 (2014: RMB3,030,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	29,351	9,224
Contributions to defined contribution retirement plan	1,104	551
Equity settled share-based payment expenses (note 42)	61,517	10,245
Total employee benefit expenses	91,972	20,020

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) is as follows:

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Contributions to defined contribution retirement plan RMB'000	Share-based payments (note) RMB'000	Total RMB'000
Year ended 31 December 2015					
Chairman and non-executive director					
Ma Ji[1]	103	–	–	353	456
Executive directors					
Chang Hoi Nam	289	–	15	264	568
Liu Wen Ping[2]	96	815	–	7,928	8,839
Non-executive director					
Chang Tat Joel	193	–	–	296	489
Independent non-executive directors					
Lu Hongda	96	–	–	148	244
Miu Hon Kit	174	–	–	132	306
Wang Haisheng	96	–	–	132	228
	1,047	815	15	9,253	11,130

[1] appointed on 18 June 2015

[2] resigned as Chairman on 18 June 2015

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

11. DIRECTORS' REMUNERATION *(continued)*

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Contributions to defined contribution retirement plan RMB'000	Share-based payments (note) RMB'000	Total RMB'000
Year ended 31 December 2014					
Chairman and executive directors					
Liu Wen Ping[1]	74	562	11	1,982	2,629
Yu Pak Yan, Peter[2]	317	–	9	–	326
Executive director					
Chang Hoi Nam	285	–	13	66	364
Non-executive directors					
Chang Tat Joel[3]	29	–	–	66	95
Liu Jinsong[4]	32	–	–	–	32
Independent non-executive directors					
Miu Hon Kit[5]	82	–	–	33	115
Wang Haisheng[6]	24	–	–	33	57
Lu Hongda[7]	14	–	–	33	47
Wong Yun Kuen[8]	68	–	–	–	68
Man Kwok Leung[9]	59	–	–	–	59
Lau Man Tak[10]	26	–	–	–	26
	1,010	562	33	2,213	3,818

1 appointed on 21 March 2014 and designated as Chairman on 7 November 2014
2 resigned as Chairman and executive director on 1 September 2014
3 appointed on 7 November 2014
4 appointed on 1 September 2014 and resigned as Chairman and non-executive director on 7 November 2014
5 appointed on 8 July 2014
6 appointed on 30 September 2014
7 appointed on 7 November 2014
8 resigned as Independent non-executive director on 7 November 2014
9 resigned as Independent non-executive director on 30 September 2014
10 resigned as Independent non-executive director on 30 April 2014

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 4.17.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 42.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one of them (2014: one) was a director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining four (2014: four) individuals were as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	3,969	2,162
Contributions to defined contribution retirement scheme	43	34
Share-based payments	16,727	4,182
	20,739	6,378

The emoluments of the above four (2014: four) highest paid individuals fell within the following bands:

Emolument band	Number of individuals 2015	2014
HK$ Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$4,000,000	–	2
HK$4,000,000 or above	2	–

During the years ended 31 December 2015 and 2014, no emoluments were paid to any of the Company's directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2015 and 2014.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

13. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on loans and borrowings	62,012	11,344
Interest on loan from ultimate holding company	4,022	–
Interest on bank overdrafts	36	49
Imputed interest on corporate bonds (note 33)	12,391	–
Finance charges on obligations under finance leases	66	35
Total interest expense on financial liabilities not at fair value through profit or loss	78,527	11,428
Less: interest expense capitalised into solar power plants under development* (note 18)	(15,765)	(3,734)
	62,762	7,694

* For the year ended 31 December 2015, borrowing cost has been capitalised at a rate of 9% (2014: 10%) per annum.

14. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss represents:

	2015 RMB'000	2014 RMB'000
Current tax		
– PRC Corporate Income Tax	15,753	9,354
– Under-provision in prior years	60	–
	15,813	9,354
Deferred tax (note 34)	(237)	(234)
	15,576	9,120

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the years ended 31 December 2015 and 2014.

The Group's PRC entities are subject to corporate income tax at the statutory rate of 25%, unless otherwise specified.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

14. INCOME TAX EXPENSE *(continued)*

Income derived by an enterprise from the investment in, and the operation of, public infrastructure projects eligible for key support from the State, is eligible for tax exemption for the first three years generating operating income and a 50% deduction in corporate income tax for the fourth year to the sixth year (the "3+3 tax holiday"). For the year ended 31 December 2015, Wushi, Kuche Tianhua, Maigaiti Linuo, Yingjisha, Lanzhou Taike and Hejing Xushuang started to generate operating income and enjoyed the 3+3 tax holiday from 2015. Artux Huaguang and Artux Xingguang are in the process of applying the 3+3 tax holiday. Gansu Hongyuan, Yumen Yonglian and Hami Zhaoxiang started to generate operating income and enjoyed the 3+3 tax holiday from 2014.

According to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC or earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. According to the China – HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" of the dividends received and directly holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%. Deferred withholding tax payable relating to the temporary differences arising from the undistributed profits of the Group's PRC subsidiaries has not been recognised as the Company controls the dividend policy of the Group's PRC subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rates:

	2015 **RMB'000**	2014 RMB'000
(Loss)/Profit before income tax	**(83,418)**	20,787
Tax on (loss)/profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(14,706)**	5,900
Tax effect of non-deductible expenses	**35,328**	5,449
Tax effect of non-taxable income	**(5,072)**	(3,038)
Tax effect of PRC preferential tax treatment	**(4,856)**	(2,387)
Utilisation of tax loss previously not recognised	**(85)**	–
Tax effect of tax loss not recognised	**5,144**	3,430
Under-provision in prior years	**60**	–
Tax effect of temporary differences	**(237)**	(234)
Income tax expense	**15,576**	9,120

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

15. OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2015			2014		
	Before-tax amount RMB'000	**Tax effect RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax effect RMB'000	Net-of-tax amount RMB'000
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations	(1,840)	–	(1,840)	(5,109)	–	(5,109)
Release of exchange reserve upon disposal of a subsidiary (note 44)	(623)	–	(623)	–	–	–
Available-for-sale financial assets	–	–	–	(12,331)	–	(12,331)
	(2,463)	–	(2,463)	(17,440)	–	(17,440)

(b) Reclassification adjustments relating to components of other comprehensive income

Available-for-sale financial assets:

	2015 RMB'000	2014 RMB'000
Changes in fair value recognised during the year	–	(5,596)
Reclassified to profit or loss upon disposal (note 8)	–	(6,735)
	–	(12,331)

16. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year of RMB98,994,000 (2014: profit for the year of RMB11,667,000) and weighted average number of ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2015	2014
	'000	'000
Ordinary shares at 1 January	**8,290,742**	1,762,662
Effect of placing/subscription of new shares	**896,304**	2,611,233
Weighted average number of ordinary shares at 31 December	**9,187,046**	4,373,895

(b) Diluted (loss)/earnings per share

For the year ended 31 December 2015, the effect of conversion of share option scheme (note 42) was anti-dilutive and diluted loss per share during the year is therefore equal to basic loss per share. For the year ended 31 December 2014, the diluted earnings per share was calculated after taking into account the dilutive effect of deemed exercise of share options of 6,900,000.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost					
At 1 January 2014	40,233	6,099	1,893	324	48,549
Additions	19	–	474	1,269	1,762
Disposals	(7,116)	–	(437)	(19)	(7,572)
Exchange realignment	169	21	6	2	198
At 31 December 2014 and 1 January 2015	33,305	6,120	1,936	1,576	42,937
Additions	5,512	201	3,114	6,558	15,385
Disposals	(2,479)	(297)	(880)	–	(3,656)
Disposal of a subsidiary	(1,388)	–	–	(167)	(1,555)
Exchange realignment	1,641	366	112	10	2,129
At 31 December 2015	36,591	6,390	4,282	7,977	55,240
Accumulated Depreciation					
At 1 January 2014	9,557	5,027	291	34	14,909
Charge for the year	2,092	271	124	69	2,556
Write back on disposals	(735)	–	(90)	(12)	(837)
Exchange realignment	28	16	1	–	45
At 31 December 2014 and 1 January 2015	10,942	5,314	326	91	16,673
Charge for the year	1,098	13	584	711	2,406
Write back on disposals	(1,714)	(73)	(71)	–	(1,858)
Disposal of a subsidiary	(1,045)	–	–	(110)	(1,155)
Exchange realignment	257	326	29	8	620
At 31 December 2015	9,538	5,580	868	700	16,686
Net carrying value					
At 31 December 2014	22,363	806	1,610	1,485	26,264
At 31 December 2015	27,053	810	3,414	7,277	38,554

At 31 December 2015, certain building with carrying value of approximately RMB1,041,000 (2014: RMB3,630,000) was pledged as security for the Group's loans and borrowings (note 30).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

18. SOLAR POWER PLANTS

	Solar power plants RMB'000	Solar power plants under development RMB'000	Total RMB'000
Cost			
At 1 January 2014	–	–	–
Acquisition of subsidiaries (notes 45(a) and 45(b))	535,561	409,400	944,961
Additions	–	621,113	621,113
Interest capitalised in solar power plants under development (note 13)	–	3,734	3,734
At 31 December 2014 and 1 January 2015	535,561	1,034,247	1,569,808
Acquisition of subsidiaries (notes 45(a) and 45(b))	1,244,583	1,192,909	2,437,492
Additions	40,346	684,896	725,242
Interest capitalised in solar power plants under development (note 13)	–	15,765	15,765
Transfer	624,832	(624,832)	–
Transfer to assets of a disposal group classified as held for sale (note 28)	–	(245,030)	(245,030)
At 31 December 2015	2,445,322	2,057,955	4,503,277
Accumulated depreciation			
At 1 January 2014	–	–	–
Charge for the year	1,658	–	1,658
At 31 December 2014 and 1 January 2015	1,658	–	1,658
Charge for the year	83,601	–	83,601
At 31 December 2015	85,259	–	85,259
Net carrying value			
At 31 December 2014	533,903	1,034,247	1,568,150
At 31 December 2015	2,360,063	2,057,955	4,418,018

Solar power plants under development would be transferred to solar power plants when the solar power plants complete their trial operations and are successfully connected to provincial power grid and generate electricity.

18. SOLAR POWER PLANTS *(continued)*

As at 31 December 2015, certain solar power plants with carrying value of approximately RMB739,925,000 (2014: RMB487,591,000) were constructed and built on the lands in the PRC which the Group has not yet paid the related land premium and obtained the relevant title certificates. With reference to the legal opinion from a PRC lawyer, the Directors do not expect any legal obstacles for the Group in obtaining the relevant title certificates.

As at 31 December 2015, certain solar power plants with carrying value of approximately RMB2,567,145,000 (2014: RMB533,903,000) were pledged as securities for the Group's loans and borrowings (note 30).

19. INVESTMENT IN A JOINT VENTURE

	2015 RMB'000
At the beginning of the year	–
Capital contributions	288,233
Share of loss	(1,342)
At the end of the year	286,891

As at 31 December 2015, particulars of the joint venture were as follows:

Name of joint venture	Form of business structure	Country of incorporation and principal place of operation	Percentage of ownership interests/ voting rights	Principal activity
江山寶源國際有限公司 (Kong Sun Baoyuan International Company Limited*) ("Kong Sun Baoyuan")	Incorporated	The People's Republic of China ("PRC")	55%	Finance lease business

The Group has established Kong Sun Baoyuan with 55% equity interest during the year. Kong Sun Baoyuan is a separate structured vehicle incorporated and operating in the PRC. It is primarily engaged in the finance lease business in the PRC. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Kong Sun Baoyuan. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been accounted for in the consolidated financial statements using equity method.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

19. INVESTMENT IN A JOINT VENTURE *(continued)*

Summarised financial information for the joint venture

Set out below are the summarised financial information for Kong Sun Baoyuan, extracted from its management accounts for the year ended 31 December 2015:

	RMB'000
Non-current assets	330,635
Current assets (including cash and cash equivalents of approximately RMB26,308,000)	206,938
Non-current liabilities	(14,482)
Current liabilities	(1,472)
Revenue	4,718
Loss for the year and total comprehensive income	(2,569)
Depreciation	(19)
Interest income	318
Income tax expense	(129)

Reconciliation of the above summarized financial information to the carrying amount of the investment in a joint venture recognised in the consolidated financial statements:

	RMB'000
Equity attributable to the owners of Kong Sun Baoyuan	521,619
Proportion of the Group's ownership interests	55%
Carrying amount of the Group's investment in Kong Sun Baoyuan	286,891

During the year ended 31 December 2015, the Group provided a financial guarantee in respect of a loan from Kong Sun Baoyuan to an independent third party amounting to approximately RMB120,000,000. The directors of the Company consider that the probability for the holder of the guarantees to call upon the Group as a result of default in repayment of the loan is remote.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2015

20. INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
At 1 January	77,943	75,399
Gain on fair value changes	5,222	2,298
Disposal of a subsidiary (note 44)	(36,143)	–
Exchange realignment	1,988	246
At 31 December	49,010	77,943

The Group's investment properties were revalued as at 31 December 2015 and 2014 by an independent firm of surveyors, Grant Sherman Appraisal Limited, who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

These investment properties are revalued based on the market value on an existing use basis which involves certain estimates, including comparable market transactions and, where appropriate, qualitative adjustments.

Investment properties held by the Group in the consolidated statement of financial position	Fair value as at 31 December 2015 RMB'000	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs	Interrelationship between key unobservable input(s) and fair value measurement
Completed investment properties	49,010 (2014: 77,943)	Direct comparison	Quality of properties (e.g. location, size, level and condition of the properties)	+/-10% (2014: +/-10%)	The higher the quality of properties with reference to comparables, the higher the fair value

There were no changes to the valuation techniques during the years.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided in the table above. Change in unrealised fair value gain for the year included in profit or loss for investment properties held at the end of the year was approximately RMB5,222,000 (2014: RMB2,298,000).

All of the Group's investment properties for earning rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

21. GOODWILL

	2015 RMB'000	2014 RMB'000
At 1 January	35,050	–
Acquired through business combinations (note 45(a))	51,211	35,050
At 31 December	86,261	35,050

Goodwill is allocated to certain of the Group's photovoltaic CGUs.

For the purpose of impairment test, the carrying amount of goodwill, net of any impairment loss, is allocated to the following CGUs within the photovoltaic business:

	2015 RMB'000	2014 RMB'000
Yumen Yonglian	9,270	9,270
Gansu Hongyuan	24,819	24,819
Hami Zhaoxiang	961	961
Hejing Xushuang	1,250	–
Lanzhou Taike	49,546	–
Artux Huaguang	80	–
Artux Xingguang	335	–
	86,261	35,050

The recoverable amounts of these CGUs are determined based on their respective value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2014: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGUs operate. The cash flows are discounted using discount rates of 10.82% to 11.45% (2014: 11.5%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

22. LEASE PREPAYMENTS

	RMB'000
Cost	
At 1 January 2014	12,454
Acquisition of subsidiaries (note 45(a))	11,529
Additions	1,067
Exchange realignment	42
At 31 December 2014 and 1 January 2015	25,092
Acquisition of subsidiaries (note 45(b))	2,560
Additions	26,504
Exchange realignment	775
At 31 December 2015	54,931
Accumulated amortisation	
At 1 January 2014	1,859
Amortisation for the year	451
Exchange realignment	4
At 31 December 2014 and 1 January 2015	2,314
Amortisation for the year	1,347
Exchange realignment	155
At 31 December 2015	3,816
Net carrying value	
At 31 December 2014	22,778
At 31 December 2015	51,115

Interests in leasehold land represent prepayment of land use rights premium to the PRC government authorities by the Group. The Group's leasehold land is located in the PRC. The Group is granted the land use rights for a period of 50 years up to 2042 to 2064.

The amount included approximately RMB2,364,000 (2014: RMB833,000) current portion of the lease prepayment as at 31 December 2015.

As at 31 December 2015, certain lease prepayment with carrying value of approximately RMB913,000 (2014: Nil) were pledged as securities for the Group's loans and borrowings (note 30).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2015

23. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	–	533
Work-in-progress	–	144
Finished goods	29	–
	29	677
Solar power plants – spare parts	1,152	2,014
	1,181	2,691

24. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade debtors (note (i))	821,697	275,730
Bills receivable (note (ii))	655,824	1,275
Trade debtors and bills receivable	1,477,521	277,005
Loans and advances to Zhongke Hengyuan (note (iii))	1,144,109	2,208
Other deposits and prepayments and receivables	1,328,446	325,136
Total trade and other receivables (note (iv))	3,950,076	604,349

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

24. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(i) The Group's trade receivables are mainly electricity sales receivables and receivables from trading of solar energy related products. Generally, the receivables are due within 30 to 180 days (2014: 30 to 180 days) from the date of billing, except for the tariff adjustment. At 31 December 2015, based on invoice dates, ageing analysis of the trade and bills receivables was as follows:

	2015 RMB'000	2014 RMB'000
Less than 3 months	**1,246,313**	232,535
Over 3 months less than 6 months	**99,864**	18,685
Over 6 months less than 12 months	**67,486**	25,785
Over 12 months less than 24 months	**63,858**	–
	1,477,521	277,005

Ageing of trade debtors and bills receivable based on due date are as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**1,254,243**	182,210
Less than 3 months past due	**41,100**	55,893
Over 3 months less than 6 months past due	**65,183**	18,840
Over 6 months less than 12 months past due	**59,611**	20,062
Over 12 months less than 24 months past due	**57,384**	–
	1,477,521	277,005

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired primarily related to tariff adjustment. The collection of such tariff adjustment is subject to the allocation of funds by relevant government authorities to provincial power grid companies, which therefore takes a relatively long time for settlement.

Trade receivables from electricity sales represent receivables from provincial power grid companies. Pursuant to CaiJian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff adjustment has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to provincial power grid companies.

The directors are of the opinion that trade receivables arising from electricity sales are fully recoverable considering that there are no bad debt experiences with trade receivables from the provincial power grid companies in the past and the tariff adjustment is funded by the PRC government.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

24. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

(ii) As at 31 December 2015 and 2014, bills receivable represented outstanding commercial acceptance bills.

(iii) The balance relates to certain loans and advances made to 中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.*) ("Zhongke Hengyuan").

As set out in the Company's announcement dated 4 December 2015 and the circular of the Company dated 30 December 2015, the Group entered into a sale and purchase agreement on 4 December 2015 with certain shareholders of Zhongke Hengyuan to acquire 44.587% equity interests in Zhongke Hengyuan. The transaction was approved by the shareholders of the Company in the extraordinary general meeting of the Company held on 15 January 2016 and was eventually completed subsequent to the reporting period on 30 January 2016. The directors of the Company are of the opinion that, as at 31 December 2015, Zhongke Hengyuan was neither a connected party as defined under the Listing Rules nor a related party as defined under HKAS 24 "Related Parties Disclosures".

Of the total loans and advances, approximately RMB1,000,000,000 of which were made to Zhongke Hengyuan for its investments in long-term investments in an insurance company and a commercial bank in the PRC and the remaining were made to Zhongke Hengyuan mainly for financing certain of its solar power plants development projects. These loans and advances are unsecured, interest free and have no fixed terms of repayment. No formal agreements have been entered into between the Group and Zhongke Hengyuan in respect of these loans and advances.

Subsequent to the reporting period, Zhongke Hengyuan had repaid all of the loans and advances to the Group.

(iv) All of these trade and other receivables are expected to be recovered or recognised as expense within one year, except for certain deposits amounting to approximately RMB647,000 (2014: RMB587,000) as at 31 December 2015, which are expected to be recovered after more than one year.

As at 31 December 2015, certain trade receivables arising from the electricity sales amounting to approximately RMB106,086,000 (2014: RMB37,224,000) were pledged as securities for the Group's loans and borrowings (note 30).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

25. STRUCTURED BANK DEPOSITS

The structured bank deposits, denominated in RMB, are yield enhancement deposits and contain embedded derivative which represents the returns varying with the underlying investment portfolio of the structured bank deposit and comprises primarily of equity instruments, debt instruments including corporate bonds, and money market instruments. These deposits are solely managed and invested by the bank and the Group has no right to choose and trade the components of the financial assets. The structured bank deposits carried an effective interest rate of 3% per annum and were subsequently withdrawn in January 2016. The principal amount together with the investment return would be returned to the Group anytime upon request. The Group considers that the fair value of embedded derivative is minimal and hence no derivative financial instruments are recognised.

26. PLEDGED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Pledged for		
– bank borrowings	–	152,050
– others	–	173
	–	152,223

The pledged bank deposits were released upon the settlement of relevant bank borrowings during the year ended 31 December 2015. As at 31 December 2014, bank deposits had been pledged as security for certain borrowings (note 30).

27. CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Cash on hand	14	11
Cash at banks	637,718	1,008,301
	637,732	1,008,312

Included in cash and cash equivalents of the Group is approximately RMB502,453,000 (2014: RMB575,398,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

28. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The assets and liabilities related to 榆林市比亞迪新能源有限公司 (Yulin BYD New Energy Limited Company*) ("Yulin BYD"), a subsidiary in which the Group has 99.884% equity interests, have been presented as held for sale following the repurchase agreement dated 24 December 2015 (the "Repurchase Agreement") entered into between the Group and the purchaser (the "Purchaser"). Yulin BYD is principally engaged in the development of a solar power plant and electricity generation. As at the date of the Repurchase Agreement, the solar power plant owned by Yulin BYD is still at development stage. The disposal of Yulin BYD was completed on 15 January 2016.

On 7 July 2014, the Group entered into an equity transfer agreement with the Purchaser to acquire the entire equity interests of Yulin BYD (the "Yulin BYD Acquisition Agreement"). Pursuant to the terms of the Yulin BYD Acquisition Agreement, 91% equity interests of Yulin BYD was transferred to the Group on 25 September 2014 and thereby Yulin BYD became a non-wholly owned subsidiary of the Group. On 27 November 2014, Yulin BYD completed a capital increase and pursuant to which the Group made further capital contribution to Yulin BYD, and thereby the Group's interests in Yulin BYD was increased to approximately 99.884%.

On 9 October 2014 and 28 October 2014, the State Energy Administration (the "SEA") (國家能源局) issued the notices "國家能源局關於進一步加強光伏電站一建設與運行管理工作的通知" and "國家能源局關於規範電力專案開工建設秩序的通知" (the "Notices"), respectively, which prohibit the original applicant (i.e. the wholly-owned subsidiary of the Purchaser) who has obtained from the relevant local government the requisite approval documents (the "Approvals") for the 300 MW photovoltaic power plant project (the "Project") from transferring its equity interests before the Project was connected to the power grid unless the new shareholder of the Project make relevant filings to obtain the Approvals again as if the Project owned by Yulin BYD were a new project (the "New Project Application").

As registration for the transfer of the 91% equity interests of Yulin BYD has been completed before the issue of the Notices, the Directors did not consider there was any violation of the relevant laws or regulations by the Group. As a result, the Group did not make New Project Application at that time and the Group commenced its foundation and construction work on the Project owned by Yulin BYD in early 2015.

On 28 October 2015, the SEA issued another notice to the Shaanxi Province Energy Administration (the "SPEA") (陝西省能源局) and Northwest Energy Administration (西北能源監管局) which ruled that the transfer of the equity interests of Yulin BYD violated the Notices (the "Violation") and the SPEA issued a letter to Shaanxi Province Yulin City Development and Reform Commission (the "SPYCDRC") (陝西省榆林市發展和改革委員會) on 16 November 2015 and instructed SPYCDRC to rectify the Violation. SPYCDRC subsequently issued a letter to Shaanxi Province Yulin City Yuyang District Development and Reform Commission (the "SPYDDRC") (陝西省榆林市榆陽區發展和改革局) on 18 November 2015; which in turn issued a notice to Yulin BYD on 20 November 2015; instructing Yulin BYD to remedy the Violation and to file its remediation plan to SPYDDRC by 30 November 2015.

On 26 November 2015, the Group wrote two letters to the Purchaser and SPYDDRC respectively, on the arrangement of possible disposal of the 99.884% equity interests back to the Purchaser and subsequently concluded the Repurchase Agreement on 24 December 2015.

In accordance with HKFRS 5, assets and liabilities relating to Yulin BYD have been classified as held for sale in the consolidated statement of financial position. The disposal does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

The Directors regard the sale proceeds less the directly attributable cost which amounted to approximately RMB185,467,000 as the fair value less cost of disposal for the disposal of Yulin BYD. An impairment loss of approximately RMB57,158,000, which represents the sale proceeds less the carrying amount of the net assets of Yulin BYD as at the reporting date, was charged to profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

28. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

	2015 RMB'000
Solar power plant under development (note 18)	**245,030**
Other receivables	**423**
Cash and cash equivalents	**262**
Impairment loss on a disposal group classified as held for sale	**(57,158)**
Total assets classified as held for sale	**188,557**
Other payables	**3,090**
Total liabilities classified as held for sale	**3,090**

On 22 October 2016, an equity transfer agreement was entered into between the Group and the Purchaser pursuant to which the Group agreed to acquire the entire equity interest of Yulin BYD from the Purchaser at a consideration of RMB18,670,000 (the "Buy-back").

Immediately upon completion of the Buy-back, the Group, through Yulin BYD, has made the New Project Application to SPYDDRC and such application is still under process as at the date of this report. Once the Group, as the applicant, obtains the Approvals from the relevant local government, Yulin BYD is expected to be eligible to make application for grid-connection.

29. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**2,044,386**	621,813
Other payables and accruals	**390,640**	117,669
	2,435,026	739,482

Ageing analysis of trade payables, based on the invoice dates, is as follows:

	2015 RMB'000	2014 RMB'000
Current or less than 3 months	**1,854,022**	621,813
More than 3 months but less than 6 months	**8,966**	–
More than 6 months but less than 1 year	**104,549**	–
More than 1 year	**76,849**	–
	2,044,386	621,813

Retention payable amounting to approximately RMB123,600,000 (2014: RMB42,550,000) will be settled or recognised as income after more than one year. All of the other trade and other payables as at 31 December 2015 and 2014 are expected to be settled or recognised as income within one year or are repayable on demand.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2015

30. LOANS AND BORROWINGS

	2015 RMB'000	2014 RMB'000
Current		
Secured		
– bank loans	81,977	152,118
– other borrowings	946,540	46,683
	1,028,517	198,801
Non-current		
Secured		
– bank loans	1,550	3,602
– other borrowings	1,938,547	420,100
	1,940,097	423,702

The Group's loans and borrowings were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	1,028,517	198,801
After 1 year but within 2 years	305,916	85,765
After 2 years but within 5 years	784,875	153,384
Over 5 years	849,306	184,553
	2,968,614	622,503

Loans and other borrowings bear interest ranging from 5% to 12.25% (2014: 5.32% to 14.25%) per annum. The bank loans bear floating interest rate (2014: floating).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

30. LOANS AND BORROWINGS *(continued)*

The loans and borrowings were secured by the following assets:

	2015 RMB'000	2014 RMB'000
Solar power plants (note 18)	**2,567,145**	533,903
Trade and bills receivables (note 24)	**106,086**	37,224
Property, plant and equipment (note 17)	**1,041**	3,630
Pledged bank deposits (note 26)	**–**	152,050
Lease prepayments (note 22)	**913**	–
	2,675,185	726,807

Other borrowings amounting to RMB22,000,000 (2014: RMB22,000,000) was pledged by equity interests of 揚州啟星新能源發展有限公司 (Yangzhou Qixing New Energy Developments Limited*) and RMB800,000,000 (2014: Nil) was pledged by equity interests of 敦煌萬發新能源有限公司 (Dunhuang Wanfa New Energy Limited Company*) ("Dunhuang Wanfa") and an independent third party.

In addition, an independent third party had provided unlimited corporate guarantees to certain of the Group's other loans amounting to approximately RMB399,134,000 (2014: RMB450,503,000).

31. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles and these leases are classified as finance leases having remaining lease of 3 years (2014: 4 years). As at 31 December 2015 and 2014, the total future minimum lease payments under finance leases and their present values are as follows:

	2015		2014	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Due within one year	**276**	**307**	246	275
Due in the second year	**289**	**307**	254	275
Due in the third to fifth years, inclusive	**242**	**247**	396	424
	531	**554**	650	699
	807	**861**	896	974
Less: future finance charge on finance leases		**(54)**		(78)
Present value of finance lease obligations		**807**		896

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

32. LOAN FROM ULTIMATE HOLDING COMPANY

On 19 November 2015, the Company and Pohua JT entered into a loan agreement pursuant to which Pohua JT agreed to grant a loan in the aggregate principal amount of HK$1,500,000,000 (equivalent to approximately RMB1,256,670,000) to the Company. The loan was unsecured, interest bearing at 5.8% per annum which would be accrued at and payable semi-annually and would mature on the 3rd anniversary of the drawndown date. The loan was subsequently capitalised in a subscription of the Company's shares by Pohua JT in January 2016, details of which was set out in note 51(b).

33. CORPORATE BONDS

	2015 RMB'000	2014 RMB'000
At 1 January	–	–
Initial recognition	317,546	–
Imputed interest expense (note 13)	12,391	–
Interest payable	(8,459)	–
Exchange realignment	530	–
At 31 December	322,008	–

During the year ended 31 December 2015, the Company issued corporate bonds denominated in HK$ amounting to HK$423,500,000 (equivalent to approximately RMB354,800,000) in aggregate due in 2018 to certain independent third parties. As at 31 December 2015, the net proceeds of the issued corporate bonds received by the Company were approximately HK$379,032,500 (equivalent to approximately RMB317,546,000), with total issue cost amounting to approximately HK$44,467,500 (equivalent to approximately RMB37,254,000). The corporate bonds are interest bearing at 6% per annum and mature on the date immediately following the 36 months after the issue of the corporate bonds.

The corporate bonds are subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 10.24% per annum. Imputed interest of approximately HK$15,422,000 (equivalent to approximately RMB12,391,000) (note 13) was recognised in profit or loss during the year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

34. DEFERRED TAX LIABILITIES

At 31 December 2015, the movement on the deferred tax liabilities is as follows:

	Fair value change of investment properties	
	2015	2014
	RMB'000	RMB'000
At the beginning of the year	**5,656**	5,870
Charge to profit or loss (note 14)	**(237)**	(234)
Disposal of a subsidiary (note 44)	**(2,426)**	–
Exchange realignment	**237**	20
At the end of the year	**3,230**	5,656

No deferred tax asset has been recognised on tax loss of the PRC subsidiaries due to the unpredictability of future profit. The unrecognised tax losses are losses of approximately RMB42,029,000 (2014: RMB36,885,000) that can be carried forward for 5 years from the year in which the respective loss arose.

35. SHARE CAPITAL

	2015 Number of share '000	**2015 RMB'000**	2014 Number of share '000	2014 RMB'000
Issued and fully paid				
At beginning of the year	**8,290,742**	**2,267,976**	1,762,662	69,008
The concept of authorised share capital was abolished on 3 March 2014 (note (a))	**–**	**–**	–	334,707
Placing of new shares (notes (b), (c) and (d))	**1,496,700**	**1,340,628**	6,528,080	1,864,261
At end of the year	**9,787,442**	**3,608,604**	8,290,742	2,267,976

35. SHARE CAPITAL *(continued)*

Notes:

(a) The Hong Kong Companies Ordinance came into effect on 3 March 2014. Under Section 135 of the Companies Ordinance, shares in a company do not have a nominal value. Accordingly, the concept of authorised share capital is abolished. The no nominal value regime applies to the Company. Following the transitional provisions in the Ordinance, any amount standing to the credit of the share premium account and capital redemption reserve at the beginning of 3 March 2014 became part of the Company's share capital.

(b) On 10 April 2015, the Company completed the placing of 352,000,000 placing shares at the placing price of HK$1.07 per placing share (the "2015 April Placing"), The net proceeds from the 2015 April Placing, after deducting the related placing commission, professional fees and all related expenses, is approximately HK$365,094,000 (equivalent to approximately RMB289,107,000). Details of the 2015 April Placing have been set out in the Company's announcements dated 23 March 2015 and 10 April 2015.

(c) On 11 June 2015, the Company completed the placing of 1,144,700,000 placing shares at the placing price of HK$1.20 per placing share (the "2015 June Placing"), The net proceeds from the 2015 June Placing, after deducting the related placing commission, professional fees and all related expenses, is approximately HK$1,333,131,000 (equivalent to approximately RMB1,051,521,000). Details of the 2015 June Placing have been set out in the Company's announcements dated 28 April 2015 and 11 June 2015.

(d) Pursuant to a subscription agreement dated 28 May 2014, the Company placed a total of 6,528,080,000 new shares of the Company at the price of HK$0.36 per share to its investors (the "Subscription"). The Subscription was completed on 8 August 2014.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

36. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 49 of the consolidated financial statements.

Company

	Share premium RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Equity settled share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	334,686	21	(24,504)	–	(196,167)	114,036
Total comprehensive income for the year	–	–	(11,810)	–	(17,401)	(29,211)
Transfer from share premium account and capital redemption reserve on 3 March 2014	(334,686)	(21)	–	–	–	(334,707)
Equity settled share-based transactions	–	–	–	15,448	–	15,448
At 31 December 2014 and 1 January 2015	–	–	(36,314)	15,448	(213,568)	(234,434)
Total comprehensive income for the year	–	–	205,706	–	(86,023)	119,683
Equity settled share-based transactions	–	–	–	61,517	–	61,517
At 31 December 2015	–	–	169,392	76,965	(299,591)	(53,234)

(i) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance, on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital (see note 35(a)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

36. RESERVES *(continued)*

(ii) PRC Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside PRC which are dealt with in accordance with the accounting policies as set out in note 4.13.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net changes in the fair value of other financial assets held by the Group as at the year end dates, net of deferred tax.

(v) Equity settled share-based payment reserve

The equity settled share-based payment reserve comprises the portion of the grant date fair value of unexercised shares options granted to the grantees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 4.17.

37. DIVIDEND

No dividend was paid or proposed during the year 31 December 2015 nor has any dividend been proposed since the end of reporting period (2014: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

38. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,056	–
Interests in subsidiaries		984	984
		2,040	984
Current assets			
Other receivables		5,126,183	2,038,605
Cash and cash equivalents		34,519	81
		5,160,702	2,038,686
Current liabilities			
Other payables		28,694	6,128
Net current assets		5,132,008	2,032,558
Non-current liabilities			
Loan from ultimate holding company		1,256,670	–
Corporate bonds		322,008	–
		1,578,678	–
Net assets		3,555,370	2,033,542
CAPITAL AND RESERVES			
Share capital	35	3,608,604	2,267,976
Reserves	36	(53,234)	(234,434)
Total equity		3,555,370	2,033,542

On behalf of the directors

Ma Ji
Chairman

Liu Wen Ping
Executive Director

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

39. COMMITMENTS

(a) Capital commitments

At 31 December 2015, the Group had outstanding capital commitments as follows:

	2015 RMB'000	2014 RMB'000
Contracted but not provided for in respect of – the construction costs and service expense for solar power plants under development	**866,088**	1,008,430

(b) Operating lease commitments

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**15,375**	1,555
In the second to fifth years, inclusive	**7,596**	2,392
Over five years	**31,524**	–
	54,495	3,947

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 25 years (2014: 1 to 5 years), at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

40. FUTURE OPERATING LEASE ARRANGEMENTS

At 31 December 2015, the Group had total future minimum lease receipts under non-cancellable operating leases in respect of investment properties and a motor vehicle are as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**1,907**	1,723
In the second to fifth years, inclusive	**2,421**	699
	4,328	2,422

The Group leases out a number of investment properties and a motor vehicle under operating leases. The leases typically run for an initial period of 1 to 3 years (2014: 1 to 3 years), with an option to renew the leases after that date at which time all terms are renegotiated.

41. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of RMB1,205 (2014: RMB1,183) per month for each employee.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

During the year ended 31 December 2015, the total retirement benefit cost charged to the consolidated statement of profit or loss amounted to approximately RMB1,104,000 (2014: RMB551,000).

42. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 22 July 2009 whereby the directors of the Company are authorised, at their discretion, to invite certain directors, employees and consultants ("the Grantees") of the Group, to take up options at consideration (HK$1.10 for options granted on 8 October 2014 ("Batch 1"), HK$1.16 for options granted on 11 November 2014 ("Batch 2") and HK$1.20 for options granted on 18 June 2015 ("Batch 3") to subscribe for shares of the Company. The options will be exercisable in four tranches and 25% of the options granted vest on one year, two years, three years and four years from the grant date respectively (the "Vesting Dates").

Pursuant to the relevant terms of the share option scheme, the options are exercisable from the Vesting Dates to 8 October 2019 (Batch 1), 11 November 2019 (Batch 2) and 18 June 2020 (Batch 3) respectively. Each of the options will give the holder the right to subscribe for 1 ordinary share in the Company and will be settled gross in shares. After all of the above grants, a total number of 477,700,000 share options were granted to the Grantees.

In addition, the unexercised options granted under the share option scheme will be forfeited when the Grantees cease to be the directors, employees or consultants of the Group for reasons other than death, ill-health or retirement.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

42. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Batch 1 options granted to directors:			
– on 8 October 2014	17,250,000	1 year from the date grant	5 years
– on 8 October 2014	17,250,000	2 years from the date grant	5 years
– on 8 October 2014	17,250,000	3 years from the date grant	5 years
– on 8 October 2014	17,250,000	4 years from the date grant	5 years
Batch 2 options granted to directors:			
– on 11 November 2014	750,000	1 year from the date grant	5 years
– on 11 November 2014	750,000	2 years from the date grant	5 years
– on 11 November 2014	750,000	3 years from the date grant	5 years
– on 11 November 2014	750,000	4 years from the date grant	5 years
Batch 1 options granted to employees and consultants:			
– on 8 October 2014	100,425,000	1 year from the date grant	5 years
– on 8 October 2014	100,425,000	2 years from the date grant	5 years
– on 8 October 2014	100,425,000	3 years from the date grant	5 years
– on 8 October 2014	100,425,000	4 years from the date grant	5 years
Batch 3 options granted to a director:			
– on 18 June 2015	1,000,000	1 year from the date grant	5 years
– on 18 June 2015	1,000,000	2 years from the date grant	5 years
– on 18 June 2015	1,000,000	3 years from the date grant	5 years
– on 18 June 2015	1,000,000	4 years from the date grant	5 years
Total share options granted	477,700,000		

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

42. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

The number and weighted average exercise prices of share options are as follows:

	2015		2014	
	Weighted exercise price HK$	**Number of options**	Weighted exercise price HK$	Number of options
Outstanding at the beginning of the year	**1.10**	**468,700,000**	–	–
Granted during the year	**1.20**	**4,000,000**	1.10	473,700,000
Cancelled during the year	**–**	**–**	1.10	(5,000,000)
Outstanding at the end of the year	**1.10**	**472,700,000**	1.10	468,700,000
Exercisable at the end of the year	**1.10**	**117,175,000**	–	–

No share option was exercised during the year as all share options are out of the vesting conditions.

The options outstanding at 31 December 2015 had an exercise price of HK$1.10, HK$1.16 or HK$1.20 (2014: HK$1.10 or HK$1.16) and a weighted average remaining contractual life of 3.78 years (2014: 4.77 years).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

42. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

The fair value of services received in return for the share options granted is measured by reference to the share options granted. The estimate of the fair value of the share options granted in 2014 was measured by using binomial lattice model. The contractual life of the share options was used as an input into this model. Expectations of early exercise were incorporated into the binomial tree model:

	2015	2014	
	Share options Batch 3	Share options Batch 1	Share options Batch 2
Fair value at measurement date	**HK$0.4295**	HK$0.3812	HK$0.4905
Share price at date of grant	**HK$1.20**	HK$1.08	HK$1.15
Exercise price	**HK$1.20**	HK$1.10	HK$1.16
Expected volatility (expressed as weighted average life used in the modeling under binomial lattice model)	**51.02%**	51.80%	51.05%
Option life (expressed as weighted average life used in the modeling under binomial tree model)	**5 years**	5 years	5 years
Risk-free interest rate (based on Hong Kong Exchange Fund Bills and Notes)	**1.14%**	1.34%	1.13%
Expected dividend yield	**0.00%**	0.00%	0.00%

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

43. INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
哈密朝翔新能源科技有限公司 (Hami Zhaoxiang New Energy Technology Limited Company*) ("Hami Zhaoxiang")	PRC	RMB30,000,000	–	100%	Solar power generation
甘肅宏遠光電有限責任公司 (Gansu Hongyuan Photovoltaic Limited Company*) ("Gansu Hongyuan")	PRC	RMB60,000,000	–	100%	Solar power generation
玉門市永聯科技新能源有限公司 (Yumen Yonglian Technology New Energy Limited Company*) ("Yumen Yonglian")	PRC	RMB40,000,000	–	100%	Solar power generation
恩菲新能源(朔州)有限公司 (Enfei New Energy (Shuozhou) Limited Company*) ("Enfei Shuozhou")	PRC	RMB10,000,000	–	100%	Solar power generation
Dunhuang Wanfa	PRC	RMB80,000,000 (2014: RMB44,641,000)/ RMB2,000,000	–	100%	Solar power generation
麥蓋提力諾太陽能電力有限公司 (Maigaiti Linuo Solar Power Limited Company*) ("Maigaiti")	PRC	RMB46,200,000 (2014: RMB1,000,000)	–	100%	Solar power generation
庫車天華新能源電力有限公司 (Kuche Tianhua New Energy Electric Power Limited Company*) ("Kuche Tianhua")	PRC	RMB45,640,000	–	100%	Solar power generation
烏什縣華陽偉業太陽能科技有限公司 (Wushi Huayangweiye Solar Technology Limited Company*) ("Wushi")	PRC	RMB44,100,000 (2014: RMB44,098,260)	–	100%	Solar power generation
英吉沙縣天華偉業太陽能科技有限公司 (Yingjisha Tianhuaweiye Solar Technology Limited Company*) ("Yingjisha")	PRC	RMB48,400,000 (2014: RMB48,367,000)	–	100%	Solar power generation
和靜旭雙太陽能科技有限公司 (Hejing Xushuang Photovoltaic Technology Limited Company*) ("Hejing Xushuang")	PRC	RMB20,000,000 (2014: RMB2,000,000)	–	100%	Solar power generation

Notes to the Financial Statements (Continued)
For the year ended 31 December 2015

43. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
蘭州太科光伏電力有限公司 (Langzhou Taike Photovoltaic Power Limited Company*) ("Langzhou Taike")	PRC	RMB88,000,000	–	100%	Solar power generation
威縣天海光伏發電有限公司 (Weixian Tianhei Photovoltaic Energy Limited Company*) ("Weixian Tianhei")	PRC	RMB1,000,000	–	100%	Solar power generation
阿圖什市華光能源有限公司 (Artux Huaguang Energy Limited Company*) ("Artux Huaguang")	PRC	RMB5,000,000	–	100% (note 1)	Solar power generation
阿圖什市興光能源有限公司 (Artux Xingguang Energy Limited Company*) ("Artux Xingguang")	PRC	RMB1,000,000	–	100% (note 1)	Solar power generation
強茂能源鄂爾多斯市有限責任公司 (Qiangmao Energy Eerduosi Limited Company*) ("Qiangmao")	PRC	RMB18,000,000	–	100%	Solar power generation
山東新泰樓德佳陽光伏發電有限公司 (Shandong Xintailou Dejiayang Solar Power Generation Limited Company*) ("Shandong Xintailou")	PRC	RMB36,000,000 (2014: RMB3,600,000)	–	100%	Solar power generation
貴溪市中元太陽能電力有限公司 (Guixi City Zhongyuan Solar Power Limited Company*) ("Guixi City Zhongyuan")	PRC	RMB10,000,000	–	100%	Solar power generation
湖州祥暉光伏發電有限公司 (Huzhou Xianghui Photovoltaic Power Generation Limited Company*) ("Huzhou Xianghui")	PRC	RMB50,000,000	–	100%	Solar power generation
柯坪天華新能源電力有限公司 (Keping Tianhua New Energy Electricity Limited Company*) ("Keping Tianhua")	PRC	RMB1,000,000/ RMB5,000,000	–	100% (note 2)	Solar power generation
合肥綠聚源光伏發電有限公司 (Hefei Lujuyuan Photovoltaic Power Generation Limited Company*) ("Hefei Lujuyuan")	PRC	Nil/ RMB500,000	–	100% (note 3)	Solar power generation

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

43. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
黃驊市正陽新能源有限公司 (Huanghua Zheng Yang New Energy Limited Company*) ("Huanghua Zhengyang")	PRC	RMB10,000,000	–	100% (note 4)	Solar power generation
延川永峻新能源有限公司 (Yanchuan Yongjun New Energy Limited Company*)	PRC	RMB Nil/ RMB10,000,000	–	100%	Solar power generation
橫山縣江山新能源有限責任公司 (Hengshan Kongsun New Energy Limited Company*)	PRC	RMB10,000,000	–	100%	Solar power generation
江山新能源投資(揚州)有限公司 (Kong Sun New Energy Investment (Yangzhou) Limited Company*)	PRC	RMB4,352,589,659/ HK$6,000,000,000	–	100%	Investment holding
海東市樂都區瑞啟達光伏發電有限公司 (Haidong Ledu Ruiqida Solar Power Generation Limited Company*)	PRC	RMB35,000,000/ RMB50,000,000	–	100% (note 5)	Solar power generation
江天新能源貿易(揚州)有限公司 (Jiangtian New Energy related products Trading (Yangzhou) Limited Company*)	PRC	RMB818,862,108 (2014: RMB747,546,008)/ HK$2,000,000,000 (2014: HK$1,000,000,000)	–	100%	Trading of solar energy related products
江山永泰投資控股有限公司 (Kong Sun Yongtai Investment Holdings Limited Company*)	PRC	RMB3,671,530,000 (2014: RMB793,790,000)/ RMB4,000,000,000 (2014: RMB2,000,000,000)	–	100%	Investment holding
Kingston Property Investment Limited	Hong Kong	HK$20,000	–	100%	Properties investment
Lisun Trading Limited	Hong Kong	HK$1	–	100%	Trading of life-like plants

* The English translation of the company's name is for reference only. The official names of the company are in Chinese.

43. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

1. As at 31 December 2015, 5% equity shares of Artux Huaguang and Artux Xingguang were held by 新疆中興能源有限公司 (Zonergy (Xinjiang) Co., Limited*) ("Zonergy Xinjiang") on behalf of the Group.

   Artux Huaguang and Artux Xingguang were incorporated on 20 March 2014. According to the cooperation agreement signed between the Group and Zonergy Xinjiang, the 5% equity shares of both Artux Huaguang and Artux Xingguang were held by Zonergy Xinjiang up to the completion of the project as a pledge for final payment of the consideration payables amounting to RMB250,000 and RMB50,000 respectively. According to the terms of agreement, Zonergy Xinjiang does not share any profit or bear loss of Artux Huaguang and Artux Xingguang.

2. As at 31 December 2015, 25% equity shares of Keping Tianhua was held by the vendor (the "Vendor") on behalf of the Group.

   Keping Tianhua was incorporated on 12 September 2014. According to the cooperation agreement signed between the Group and the Vendor, the 25% equity shares of Keping Tianhua was held by the Vendor up to the completion of the project as a pledge for final payment of consideration payable amounting to RMB250,000. According to the terms of agreement, the Vendor does not share any profit or bear loss of Keping Tianhua.

3. As at 31 December 2015, 5% equity shares of Hefei Lujuyuan was held by 江蘇超先電力有限公司 (Jiangsu Chaoxian Electric Power Technology Co., Limited*) ("Jiangsu Chaoxian") on behalf of the Group.

   Hefei Lujuyuan was incorporated on 1 December 2014. According to the cooperation agreement signed between the Group and Jiangsu Chaoxian, the 5% equity shares of Hefei Lujuyuan was held by Jiangsu Chaoxian up to the completion of the project as a pledge for final payment of consideration payable amounting to RMB1. According to the terms of agreement, Jiangsu Chaoxian does not share any profit or bear loss of Hefei Lujuyuan.

4. As at 31 December 2015, 9% equity shares of Huanghua Zhengyang was held by 北京正陽達新能源投資有限公司 (Beijing Zhengyangda New Energy Investment Limited*) ("Beijing Zhengyangda") on behalf of the Group.

   Huanghua Zhengyang was incorporated on 10 April 2015. According to the cooperation agreement signed between the Group and Beijing Zhengyangda, the 9% equity shares of Huanghua Zhengyang was held by Beijing Zhengyangda up to the completion of the project as a pledge for final payment of consideration payable amounting to RMB1. According to the terms of agreement, Beijing Zhengyangda does not share any profit or bear loss of Huanghua Zhengyang.

5. As at 31 December 2015 and 2014, 30% equity shares of Haidong Ruiqida was held by 北京瑞啟達新能源科技有限公司 (Beijing Ruiqida New Energy Development Limited*) ("Beijing Ruiqida") on behalf of the Group.

   Haidong Ruiqida was incorporated on 24 July 2014. According to the cooperation agreement signed between the Group and Beijing Ruiqida, the 30% equity shares of Haidong Ruiqida was held by Beijing Ruiqida up to the completion of the project as a pledge for final payment of service fee amounting to RMB12,000,000. According to the terms of agreement, Beijing Ruiqida does not share any profit or bear loss of Haidong Ruiqida. The amount has been disclosed as capital commitment.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

44. DISPOSAL OF A SUBSIDIARY

On 15 June 2015, the Group entered into a sale and purchase agreement to dispose of its entire interests in Coast Holdings Limited ("Coast Holdings") at a cash consideration of HK$70,000,000 (equivalent to approximately RMB56,240,000). Coast Holdings is an investment holding company and it held an investment property situated in Hong Kong. The disposal of Coast Holdings was completed on 30 June 2015. Net assets of Coast Holdings at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 17)	400
Investment properties (note 20)	36,143
Cash and cash equivalents	622
Other receivables	14
Other payables and accruals	(142)
Deferred tax liabilities (note 34)	(2,426)
	34,611
Release of exchange reserve upon disposal (note 15(a))	623
Gain on disposal of Coast Holdings	21,006
Total consideration	56,240
Satisfied by:	
Cash	56,240

An analysis of net inflow of cash and cash equivalents in respect of disposal of Coast Holdings is as follows:

	RMB'000
Net cash inflow arising from disposal of Coast Holdings:	
Cash consideration received	56,240
Cash and cash equivalents disposed of	(622)
	55,618

Notes to the Financial Statements (Continued)
For the year ended 31 December 2015

45. ACQUISITION OF SUBSIDIARIES

(a) Solar power plants with operations

During the year ended 31 December 2015, the Group entered into various equity transfer agreements with independent third parties to acquire 100% equity interests in certain PRC-incorporated entities, namely Hejing Xushuang, Artux Huaguang and Artux Xingguang, Weixian Tianhei and Lanzhou Taike at a total cash consideration of RMB172,000,000. The aforementioned acquisitions were completed at the acquisition date of 21 May 2015, 14 October 2015, 14 October 2015, 23 November 2015 and 27 November 2015 respectively (collectively, the "2015 Acquisition Dates"). These entities are principally engaged in the operation of solar power plants and electricity generation. As at the respective 2015 Acquisition Dates, Hejing Xushuang, Lanzhou Taike, Weixian Tianhei, Artux Huaguang and Artux Xingguang are generating electricity to provincial power grid.

The combined identifiable assets acquired and liabilities assumed at the 2015 Acquisition Dates are as follows:

	Carrying amount RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Solar power plants (note 18)	1,244,583	–	1,244,583
Trade and other receivables, prepayment and deposits	131,977	–	131,977
Cash and cash equivalents	5,282	–	5,282
Trade and other payables	(1,261,053)	–	(1,261,053)
Total identifiable net assets at fair value	120,789	–	120,789
Goodwill (note (i))			51,211
Fair value of cash consideration			172,000
Purchase consideration settled in cash			172,000
Less: cash and cash equivalents in subsidiaries acquired			(5,282)
Net cash outflows			166,718

45. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Solar power plants with operations *(continued)*

Notes:

(i) Goodwill arising from the acquisition of these entities represents the synergies expected to be achieved from integrating the acquirees into the Group's existing business.

(ii) Hejing Xushuang, Lanzhou Taike, Weixian Tianhei, Artux Huaguang and Artux Xingguang have contributed revenue (including the tariff adjustment) of approximately RMB27,767,000 and net profit of approximately RMB11,657,000 to the Group since the 2015 Acquisition Dates to 31 December 2015. Had these acquisitions occurred on 1 January 2015, the management estimates that the Group's consolidated revenue and consolidated loss for the year would have been RMB1,773,483,000 and RMB90,998,000 respectively.

During the year ended 31 December 2014, the Group entered into various equity transfer agreements with independent third parties to acquire 100% equity interests in certain PRC-incorporated entities, namely Yumen Yonglian, Gansu Hongyuan and Hami Zhaoxiang at a total cash consideration of RMB202,727,000. The aforementioned acquisitions were completed at the acquisition date of 4 November 2014, 7 November 2014 and 30 October 2014 respectively (collectively, the "2014 Acquisition Dates"). These entities are principally engaged in the operation of solar power plants and electricity generation. As at the 2014 Acquisition Dates, Yumen Yonglian, Gansu Hongyuan and Hami Zhaoxiang are generating electricity to provincial power grid.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

45. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Solar power plants with operations *(continued)*

The combined identifiable assets acquired and liabilities assumed at the 2014 Acquisition Dates are as follows:

	Carrying amount RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Solar power plants (note 18)	535,561	–	535,561
Lease prepayments (note 22)	11,529	–	11,529
Inventories	4,599	–	4,599
Trade and other receivables	155,759	–	155,759
Cash and cash equivalents	1,873	–	1,873
Trade and other payables	(94,707)	–	(94,707)
Loans and borrowings	(446,937)	–	(446,937)
Total identifiable net liabilities at fair value	167,677	–	167,677
Goodwill (note (i))			35,050
Fair value of cash consideration			202,727
Purchase consideration settled in cash			202,727
Less: cash and cash equivalents in subsidiaries acquired			(1,873)
other payables			(46,647)
Net cash outflows			154,207

Notes:

(i) Goodwill arising from the acquisition of these entities represents the synergies expected to be achieved from integrating the acquirees into the Group's existing business.

(ii) Yumen Yonglian, Gansu Hongyuan and Hami Zhaoxiang have contributed revenue (including the tariff adjustment) of approximately RMB9,547,000 and net profit of approximately RMB3,760,000 to the Group since the 2014 Acquisition Dates to 31 December 2014. Had these acquisitions occurred on 1 January 2014, the management estimates that the Group's consolidated revenue and consolidated profit for the year would have been RMB590,762,000 and RMB49,343,000 respectively.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

45. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) Solar power plants under developments

During the year ended 31 December 2015, the Group acquired the equity interests in the entities set out in the table below from independent third parties at a total cash consideration of approximately RMB65,831,000. These entities are principally engaged in the operation of solar power plants and electricity generation. As at the dates of acquisitions, these entities were still at development stage. Given the underlying set of assets acquired were not integrated in forming businesses to generate revenues, the directors are of the opinion that the acquisition of these entities were purchase of net assets which did not constitute business combinations for accounting purposes.

Name of entities	Equity interests acquired
Qiangmao	100%
Shandong Xintailou	100%
Guixi City Zhongyuan	100%
Huzhou Xianghui	100%
Keping Tianhua	100%
Hefei Lujuyuan	100%

The combined identifiable assets acquired and liabilities assumed are as follows:

	RMB'000
Solar power plants under development (note 18)	1,192,909
Lease prepayment (note 22)	2,560
Other receivables	12,194
Cash and cash equivalents	16,262
Trade and other payables	(256,729)
Loans and borrowings	(901,365)
Net assets acquired	65,831
Satisfied by:	
Cash consideration	65,831
Net cash outflow arising on acquisition:	
Purchase consideration settled in cash	65,831
Less: cash and cash equivalents acquired	(16,262)
	49,569

Notes to the Financial Statements (Continued)
For the year ended 31 December 2015

45. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) Solar power plants under developments *(continued)*

During the year ended 31 December 2014, the Group acquired the equity interests in the entities set out in the table below from independent third parties at a total cash consideration of approximately RMB401,745,000. These entities are principally engaged in the operation of solar power plants and electricity generation. As at the dates of acquisitions, these entities were still at development stage. Given the underlying set of assets acquired were not integrated in forming businesses to generate revenues, the directors are of the opinion that the acquisition of these entities were purchase of net assets which did not constitute business combinations for accounting purposes.

Name of entities	Equity interests acquired
Enfei Shuozhou	100%
Dunhuang Wanfa	100%
Maigaiti	100%
Kuche Tianhua	100%
Wushi	100%
Yingjisha	100%
Yulin BYD	99.884%

The combined identifiable assets acquired and liabilities assumed are as follows:

	RMB'000
Solar power plants under development (note 18)	409,400
Trade and other receivables	14,790
Cash and cash equivalents	1,948
Trade and other payables	(24,393)
Net assets acquired	401,745
Satisfied by:	
Cash consideration	401,745
Net cash outflow arising on acquisition:	
Purchase consideration settled in cash	401,745
Less: Cash and cash equivalents acquired	(1,948)
Other payables	(63,234)
	336,563

46. CONTINGENT LIABILITIES

(a) The Group acquired equity interests of certain subsidiaries principally engaged in the development of solar power plants projects and the applications for the development of these solar power plant projects were actually carried out by their former shareholders. According to the Notices as mentioned in note 28, the Notices prohibit the original applicants who have obtained the approval documents from the relevant government for the solar power plant projects from transferring the equity interests of solar power plant projects before the projects were connected to the power grid. With reference to the legal opinion from a PRC lawyer, given that (i) the Group has obtained the preliminary approval from respective relevant government authorities to continue the remaining development of the solar power plants; and/or (ii) the PRC lawyer is of the view that it is remote for these subsidiaries to be fined or to have adverse consequences imposed by the relevant government authorities, the directors of the Company consider there is no significant impact on the Group's control over these entities and the development of these solar power plants.

(b) As set out in note 19, the Group executes a guarantee with respect to a loan of RMB120,000,000 granted by Kong Sun Baoyuan to an independent third party as at 31 December 2015, under which the Group is liable to pay the proportionate share if Kong Sun Baoyuan is unable to recover the loan from the independent third party. As at the reporting date, no provision for the Group's proportionate obligation under the guarantee contracts has been made as the Directors consider that it is not probable that the repayment of the loan will be in default.

47. RELATED PARTY TRANSACTIONS

(a) On 19 November 2015, the Company and Pohua JT entered into a loan agreement pursuant to which Pohua JT agreed to grant a loan in the aggregate principal amount of HK$1,500,000,000 (equivalent to approximately RMB1,256,670,000) to the Company. The loan is unsecured, interest bearing at 5.8% per annum which shall be accrued at and payable semi-annually and will mature on the 3rd anniversary of the drawndown date. For the year ended 31 December 2015, the interest expense arising from the loan amounted to approximately RMB4,022,000 (2014: Nil) (note 13).

(b) Remuneration for key management personnel, including the Company's directors (note 11) and certain of the highest paid employees (note 12) is as follows:

	2015 RMB'000	2014 RMB'000
Short term employee benefits	**4,366**	3,425
Post-employee benefits	**43**	56
Equity compensation benefits	**25,901**	6,376
	30,310	9,857

48. MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to the Company's business to which a director of the Company or his/her connected entity had a material interest, whether directly or indirectly were entered into or subsisting during the financial year.

49. FINANCIAL INSTRUMENTS

49.1 Financial risk management objectives and policies

The Group is exposed to market risk, specifically to credit risk, liquidity risk, currency risk, and interest rate risk in the normal course of business. The Group does not have any written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to the market risk.

Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to the market risk is kept to a minimum level, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed to are described below. A summary of the Group's financial assets and liabilities by category is disclosed in note 49.2.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and deposits with banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group has no significant credit risk with any of these power grid companies as the Group maintain long-term and stable business relationships with these provincial power grid companies. The receivables from the provincial power grid companies accounted for 24% (2014: 19%) of the Group's total trade receivables as at 31 December 2015. For other trade receivables and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group or the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position.

The credit risk on deposits with banks is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The policies to manage credit risk have been followed by the Group since prior year are considered to have been effective.

(b) Interest rate risk

The Group's interest rate risk arises primarily from loans and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the years ended 31 December 2015 and 2014, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

49. FINANCIAL INSTRUMENTS *(continued)*

49.1 Financial risk management objectives and policies *(continued)*

(b) Interest rate risk *(continued)*

The following table details the profile of the Group's net borrowings (interest bearing financial liabilities less interest-bearing financial assets (excluding cash held for short term working capital purpose)) at the balance sheet date. The detailed interest rates and maturity information of the Group's loans and borrowings, loan from ultimate holding company and corporate bonds are set out in notes 30, 32 and 33 respectively.

Financial instruments with variable interest rate in nature

	2015 Effective interest rate %	2015 RMB'000	2014 Effective interest rate %	2014 RMB'000
Net fixed rate borrowings:				
Loans and borrowings	5% – 12.25%	985,778	5.32% –14.25%	172,000
Loan from ultimate holding company	5.8%	1,256,670	N/A	–
Corporate bonds	10.24%	322,008	N/A	–
		2,564,456		172,000
Variable rate borrowings:				
Loans and borrowings	4.34% – 10.58%	1,982,836	7.31% – 8.55%	450,503
Total net borrowings		4,547,292		622,503
Net fixed rate borrowings as a percentage of total net borrowings		56.4%		27.6%

The policies to manage interest rate risk have been followed by the Group since prior year are considered to be effective.

Interest rate sensitivity analysis

The sensitivity analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 December 2015, if the interest rate of loans and borrowings had been 50 (2014: 50) basis points higher/lower, the Group's loss before income tax would increase/decrease by approximately RMB22,736,000 (2014: decrease/increase in profit before income tax for the year of approximately RMB3,133,000).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

49. FINANCIAL INSTRUMENTS *(continued)*

49.1 Financial risk management objectives and policies *(continued)*

(c) Currency risk

Almost all the Group's operating activities are carried out in the PRC for the year 2015 with most of the transactions denominated in RMB. Exposures to currency exchange rates arise from certain of the Group's cash and cash equivalents, trade and other receivables and trade and other payables which are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB and HK$. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
RMB	**139**	240,626	**–**	–
HK$	**33,706**	139,630	**–**	–

Foreign exchange sensitivity analysis

A 5% (2014: 5%) increase and decrease in HK$ against RMB is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year-end for a 5% (2014: 5%) change in foreign currency rates. For a 5% (2014: 5%) strengthening of HK$ against RMB, the loss for the year would increase by approximately RMB1,678,000 (2014: the profit for the year decreased by approximately RMB5,050,000). For a 5% (2014: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the loss (2014: profit) for the year.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

(d) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In order to repay the borrowings due within one year, the Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk. The directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

49. FINANCIAL INSTRUMENTS *(continued)*

49.1 Financial risk management objectives and policies *(continued)*

(d) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting period) and the earliest date the Group can be required to pay:

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within one year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
As at 31 December 2015						
Trade and other payables	2,381,840	2,381,840	2,258,240	123,600	–	–
Obligations under finance lease	807	861	307	307	247	–
Loan from ultimate holding company	1,256,670	1,402,444	–	1,402,444	–	–
Corporate bonds	322,008	410,205	12,829	21,288	376,088	–
Loans and borrowings						
– Variable rate	1,982,836	2,727,710	264,149	348,292	1,019,241	1,096,028
– Fixed rate	985,778	1,027,577	935,421	92,156	–	–
	6,929,939	7,950,637	3,470,946	1,988,087	1,395,576	1,096,028
As at 31 December 2014						
Trade and other payables	739,482	739,482	696,932	42,550	–	–
Obligations under finance lease	896	974	275	275	424	–
Loans and borrowings						
– Variable rate	450,503	631,295	86,378	81,567	232,588	230,762
– Fixed rate	172,000	178,863	154,381	24,482	–	–
	1,362,881	1,550,614	937,966	148,874	233,012	230,762

The amount included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those interest rates determined at the end of the reporting period.

49. FINANCIAL INSTRUMENTS *(continued)*

49.2 Summary of financial assets and financial liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows. See notes 4.10(i) and 4.10(iv) for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables:		
Trade and other receivables	3,532,754	320,469
Structured bank deposits	700,000	–
Pledged bank deposits	–	152,223
Cash and cash equivalents	637,732	1,008,312
	4,870,486	1,481,004
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	2,381,840	739,482
Loans and other borrowings	2,968,614	622,503
Obligations under finance leases	807	896
Loan from ultimate holding company	1,256,670	–
Corporate bonds	322,008	–
	6,929,939	1,362,881

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at reporting dates.

50. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets was 67% as at 31 December 2015 (2014: 40%).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

51. EVENTS AFTER THE REPORTING DATE

(a) Subsequent to the reporting date, the Group entered into various equity transfer agreements with independent third parties to acquire 100% equity interests in certain PRC-incorporated entities at a total consideration of RMB31,265,000. These entities are set out in the table below.

Name of entities	Equity interests acquired	2016 Acquisition Dates
定邊縣昂立光伏科技有限公司 (Dingbian Ang'Li Photovoltaic Technology Company Limited*) ("Dingbian Ang'Li")	100%	28 January 2016
樟樹市中利騰暉光伏有限公司 (Zhangshu Zhongli Tenghui Photovoltaic Power Ltd.*) ("Zhangshu Zhongli")	100%	3 February 2016
巨鹿縣明暉太陽能發電有限公司 (Julu Minghui Photovoltaic Power Ltd.*) ("Julu Minghui")	100%	3 February 2016
常熟宏略光伏電站開發有限公司 (Changshu Honglu Photovoltaic Power Plants Development Co., Ltd.*) ("Changshu Honglu")	100%	3 February 2016
肥西中暉光伏發電有限公司 (Feixi Zhonghui Photovoltaic Power Ltd.*) ("Feixi Zhonghui")	100%	1 March 2016
霍林郭勒競日能源有限公司 (Huolin Guole Jingri Energy Company Limited*) ("Huolin Jingri")	100%	22 March 2016
千陽縣寶源光伏電力開發有限公司 (Qianyang Baoyuan Photovoltaic Power Development Co., Ltd.*) ("Qianyang Baoyuan")	100%	28 June 2016
定邊縣晶陽電力有限公司 (Dingbian Jingyang Electric Co., Ltd.*) ("Jingyang Electric")	100%	30 June 2016
定邊縣萬和順新能源發電有限公司 (Dingbian Wanhe Shun New Energy Power Generation Co., Ltd.*) ("Wanhe Shun")	100%	30 June 2016
黃石黃源光伏電力開發有限公司 (Wangshi Wangyuan Photovoltaic Power Development Co., Ltd.*) ("Wangshi Wangyuan")	100%	10 August 2016
濟源大峪江山光伏發電有限公司 (Jiyuan Dayu Jiangshan Guangfu Power Generation Co., Ltd.*) ("Jiyuan Dayu")	100%	13 October 2016

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

51. EVENTS AFTER THE REPORTING DATE *(continued)*

(a) *(continued)*

As at the respective relevant 2016 Acquisition Dates, Huolin Jingri, Dingbian Ang'Li, Qianyang Baoyuan, Julu Minghui, Feixi Zhonghui, Zhangshu Zhongli, Changshu Honglu, Jingyang Electric, Wanhe Shun, Wangshi Wangyuan and Jiyuan Dayu were generating electricity to provincial power grid. Details of the acquisitions have been set out in the Company's announcements on 5 January 2016, 28 January 2016, 3 February 2016, 30 June 2016, 25 July 2016, 26 July 2016 and 11 October 2016 respectively.

The combined identifiable assets acquired and liabilities assumed at the 2016 Acquisition Dates are as follows:

	Carrying amount RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Solar power plants	2,625,681	–	2,625,681
Lease prepayments	8,163	–	8,163
Trade and other receivables, prepayment and deposits	283,969	–	283,969
Cash and cash equivalents	929	–	929
Trade and other payables	(2,586,180)	–	(2,586,180)
Loans and borrowings	(301,922)	–	(301,922)
Total identifiable net assets at fair value	30,640	–	30,640
Goodwill			625
Fair value of cash consideration			31,265

Had these acquisitions of Huolin Jingri, Dingbian Ang'Li, Qianyang Baoyuan, Julu Minghui, Feixi Zhonghui, Zhangshu Zhongli, Changshu Honglu, Jingyang Electric, Wanhe Shun, Wangshi Wangyuan and Jiyuan Dayu occurred on 1 January 2015, the management estimates that the Group's consolidated revenue and consolidated loss for the year would have been RMB1,736,278,000 and RMB98,994,000 respectively.

(b) On 5 January 2016, the Company and Pohua JT entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue 5,177,000,000 new shares to Pohua JT at a price of HK$0.66 per share. The completion of the subscription took place on 2 March 2016. The net proceeds derived from the subscription amounted to approximately HK$1,901,567,000 (equivalent to approximately RMB1,593,095,000), after capitalisation of the loan from ultimate holding company and the accrued interests amounting to approximately HK$1,515,253,000 in total (equivalent to approximately RMB1,269,449,000). Details of the subscription are set out in the Company's announcements dated 5 January 2016, 18 January 2016, 2 February 2016 and 2 March 2016 respectively.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2015

51. EVENTS AFTER THE REPORTING DATE *(continued)*

(c) As disclosed in the announcement dated 31 March 2016, as a result of the delay in the finalization of the 2015 annual results of the Group for the year ended 31 December 2015, the trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1 April 2016.

(d) As disclosed in the announcement dated 28 April 2016, KPMG has resigned as auditor of the Company. As disclosed in the announcement dated 25 May 2016, BDO Limited was appointed as the new auditor of the Company to fill the vacancy left by the resignation of KPMG and to hold office until the conclusion of the next annual general meeting of the Company.

(e) On 6 June 2016, the Group entered into a framework co-operation agreement (the "Cooperation Agreement") with 塔里木河流域管理局 (Tarim River Basin Management Bureau*) (the "Bureau") in relation to the initial phases of a hydro-electric power project in Dashixia, Xinjiang Province, the PRC (the "Project"). A joint venture company (the "JV Company") will be established for the Project and it will be owned by the Group and the Bureau as to 80% and 20% respectively. The maximum total registered capital of the JV Company in relation to the first phase of the Project will not be more than RMB300,000,000. The second phase of the Project involves first setting up of a project company for the Project (the "Project Company") and secondly the Bureau inviting public tenders for participation in the construction and operation of the Project via public-private partnership ("PPP") mode. Under the PPP co-operation, the Bureau would partner with one or more private entities to construct and operate the Project. Upon obtaining the necessary approvals from the Development and Reform Commission of the PRC, the second phase of the Project will begin. Pursuant to the terms of the Cooperation Agreement, should the Group elect to participate in the public tender for the second phase, the Group will be given priority over other bidders given the same terms. Detailed terms of the cooperation and the arrangement for returns of investment have been set out in the Company's announcement dated 6 June 2016.

(f) On 27 June 2016, Zhongke Hengyuan entered into a capital increase agreement with one of its shareholders that held approximately 19.23% equity interest in Zhongke Hengyuan, pursuant to which such shareholder agreed to make an additional capital contribution to Zhongke Hengyuan (the "Capital Increase"). Upon completion of the Capital Increase which took place on 14 July 2016, the registered capital of Zhongke Hengyuan was enlarged from RMB120 million to RMB350 million, and the Group's equity interest in Zhongke Hengyuan was diluted from approximately 44.587% to approximately 15.29%. Further details in relation to the Capital Increase have been set out in the Company's announcement dated 21 July 2016.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2015

51. EVENTS AFTER THE REPORTING DATE *(continued)*

(g) On 11 October 2016, the Group entered into a partnership agreement with 盛世神州投資基金管理(北京)股份有限公司(Shengshi Shenzhou Investment Fund Management (Beijing) Company Limited*) ("Shengshi Shenzhou") and天安財產保險股份有限公司(Tian An Property Insurance Company Limited*) ("Tian An") in relation to the formation of a limited partnership for carrying out investments. The total capital commitment of the limited partnership is RMB3,001,000,000. The capital contribution by the Group, Shengshi Shenzhou and Tian An will be RMB450,000,000, RMB1,000,000 and RMB2,550,000,000, respectively. It is intended that the limited partnership will primarily invest in the high-tech and emerging industries, the energy industry and other high-growth unlisted enterprises. Further detailed terms in relation to the partnership agreement and the arrangement of profit distribution and loss sharing have been set out in the Company's announcements dated 11 October 2016 and 18 October 2016 respectively.

(h) On 22 October 2016, an equity transfer agreement was entered into between the Group and the Purchaser pursuant to which the Group agreed to acquire the entire equity interest of Yulin BYD from the Purchaser at a consideration of RMB18,670,000, details of which have been set out in note 28 to these financial statements.

(i) On 30 November 2016, the Group entered into an equity transfer agreement with an independent third party to acquire 100% equity interests in 宿州市雲陽新能源發電有限公司 (Suzhou Yunyang New Power Generation Co., Ltd.*) ("Suzhou Yunyang") at a cash consideration of RMB85,000,000. As at 30 November 2016, Suzhou Yunyang has been generating electricity to provincial power grid. The transfer of the equity interests in Suzhou Yunyang is still under process as at the date of this report. Further details in relation to the acquisition of Suzhou Yunyang were set out in the Company's announcement on 30 November 2016.

(j) On 2 December 2016, the Group entered into an equity transfer agreement with an independent third party to acquire 100% equity interests in 靖邊縣智光新能源開發有限公司 (Jingbian Zhiguang New Energy Development Co., Ltd.*) ("Jingbian Zhiguang") at a cash consideration of RMB100,000,000. As at 2 December 2016, Jingbian Zhiguang has been generating electricity to provincial power grid. The transfer of the equity interests in Jingbian Zhiguang is still under process as at the date of this report. Further details in relation to the acquisition of Jingbian Zhiguang were set out in the Company's announcements on 2 December 2016 and 6 December 2016 respectively.

* *For identification purposes only*

52. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 were approved and authorised for issue by the directors of the Company on 13 December 2016.

FIVE-YEAR FINANCIAL SUMMARY

The financial information relating to the year ended 31 December 2015 included in this five years summary does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance, Cap. 622 (the "Companies Ordinance") is as follows:

The Company will deliver the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The auditor's report was qualified and contain a statement under section 407(2) and 407(3) of the Companies Ordinance. The auditor's report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under section 406(2) of the Companies Ordinance.

RESULTS

	Year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000 (Restated)	2012 RMB'000 (Restated)	2011 RMB'000 (Restated)
TURNOVER	**1,736,278**	524,283	7,364	6,965	60,308
(LOSS)/PROFIT FOR THE YEAR	**(98,994)**	11,667	(6,212)	(8,869)	(35,944)

FINANCIAL POSITION

	At 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000 (Restated)	2012 RMB'000 (Restated)	2011 RMB'000 (Restated)
TOTAL ASSETS	**10,407,395**	3,497,760	252,102	234,352	204,459
TOTAL LIABILITIES	**(7,005,198)**	(1,396,251)	(24,529)	(24,266)	(27,984)
TOTAL EQUITY	**3,402,197**	2,101,509	227,573	210,086	176,475