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KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

The board (the “Board”) of directors (the “Directors”) of Kong Sun Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016, together with the comparative amounts for the corresponding year in 2015 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2016

(Expressed in Renminbi unless otherwise stated)

	<i>Notes</i>	2016 RMB'000	2015 RMB'000
Revenue	3	559,959	1,736,278
Cost of sales		<u>(259,610)</u>	<u>(1,545,128)</u>
Gross profit		300,349	191,150
(Loss)/gain on fair value changes on investment properties		(5,563)	5,222
Other revenue	4	115,489	10,264
Other net income	4	1,653	1,071
Distribution costs		(646)	(72)
Administrative expenses		(219,974)	(190,797)
Gain on disposal of subsidiaries, net	25	45,591	21,006
Gain on disposal/deemed disposal of associates	12	108,918	–
Finance costs	5	(250,983)	(62,762)
Impairment loss of a disposal group classified as held for sale	18	(5,093)	(57,158)
Share of profit/(loss) of a joint venture		8,511	(1,342)
Share of loss of associates	12	<u>(33,358)</u>	–

	<i>Notes</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit/(Loss) before income tax	6	64,894	(83,418)
Income tax expense	7	<u>(10,090)</u>	<u>(15,576)</u>
Profit/(Loss) for the year		<u>54,804</u>	<u>(98,994)</u>
Profit/(Loss) for the year attributable to:			
Owners of the Company		54,701	(98,994)
Non-controlling interests		<u>103</u>	<u>–</u>
		<u>54,804</u>	<u>(98,994)</u>
Earnings/(Loss) per share attributable to owners of the Company during the year			
Basic and diluted (<i>RMB cents</i>)	8	<u>0.39</u>	<u>(1.08)</u>
Profit/(Loss) for the year		54,804	(98,994)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(11,894)	(1,840)
Release of exchange reserve upon disposal of subsidiaries		<u>(967)</u>	<u>(623)</u>
Other comprehensive income for the year, net of tax		<u>(12,861)</u>	<u>(2,463)</u>
Total comprehensive income for the year		<u>41,943</u>	<u>(101,457)</u>
Total comprehensive income attributable to:			
Owners of the Company		41,840	(101,457)
Non-controlling interests		<u>103</u>	<u>–</u>
		<u>41,943</u>	<u>(101,457)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

(Expressed in Renminbi unless otherwise stated)

	<i>Notes</i>	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		25,302	38,554
Solar power plants	<i>10</i>	9,278,974	4,418,018
Interest in a joint venture	<i>11</i>	295,402	286,891
Interests in associates	<i>12</i>	–	–
Investment properties		984	49,010
Goodwill		146,657	86,261
Lease prepayments		128,795	51,115
Available-for-sale investments	<i>13</i>	352,730	–
		10,228,844	4,929,849
Current assets			
Financial assets held for trading	<i>14</i>	236,629	–
Inventories		1,623	1,181
Trade, bills and other receivables	<i>15</i>	3,205,581	3,950,076
Structured bank deposits	<i>16</i>	1,125,000	700,000
Cash and cash equivalents	<i>17</i>	628,127	637,732
		5,196,960	5,288,989
Assets of a disposal group classified as held for sale	<i>18</i>	47,825	188,557
Total current assets		5,244,785	5,477,546
Current liabilities			
Trade and other payables	<i>19</i>	2,800,776	2,435,026
Loans and borrowings	<i>20</i>	1,030,617	1,028,517
Obligations under finance leases		117	276
Current taxation		13,152	15,753
		3,844,662	3,479,572
Liabilities of a disposal group classified as held for sale	<i>18</i>	416	3,090
Total current liabilities		3,845,078	3,482,662
Net current assets		1,399,707	1,994,884
Total assets less current liabilities		11,628,551	6,924,733

	<i>Notes</i>	2016 RMB'000	2015 <i>RMB'000</i>
Non-current liabilities			
Loans and borrowings	20	4,830,339	1,940,097
Obligations under finance leases		236	531
Loan from ultimate holding company	21	–	1,256,670
Corporate bonds	22	400,067	322,008
Deferred tax liabilities		1,270	3,230
		<u>5,231,912</u>	<u>3,522,536</u>
NET ASSETS		<u>6,396,639</u>	<u>3,402,197</u>
CAPITAL AND RESERVES			
Share capital	23	6,486,588	3,608,604
Reserves		<u>(127,552)</u>	<u>(206,407)</u>
Equity attributable to the Owners of the Company		6,359,036	3,402,197
Non-Controlling interests		<u>37,603</u>	<u>–</u>
TOTAL EQUITY		<u>6,396,639</u>	<u>3,402,197</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the provisions of the Companies Ordinance (Cap. 622) of the Laws of Hong Kong (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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of the 2016 annual results do not constitute the Company’s statutory annual consolidated financial statements for those years 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) is as follows:

The Company has delivered 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 Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were qualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622). For details, please refer to sub-section under “EXTRACT OF INDEPENDENT AUDITOR’S REPORT”.

The financial statements have been prepared under the historical cost convention except for certain investment properties and financial assets held for trading which are stated at fair values.

2. ADOPTION OF HKFRSs

2.1 Adoption of new/revised HKFRSs – effective 1 January 2016

In the current year, the Group have applied for the first time the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11 HKFRS 14	Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts

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

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

The following new/revised 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.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transaction ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2017

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 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. 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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Sales of electricity	554,416	118,032
Sales of solar energy related products	–	1,611,711
Sales of life-like plants	4,317	4,929
Properties rental income	1,226	1,606
	<hr/>	<hr/>
Consolidated revenue	<u>559,959</u>	<u>1,736,278</u>

Sales of electricity includes tariff adjustment amounted to approximately RMB407,170,000 (2015: RMB86,113,000).

4. OTHER REVENUE AND OTHER NET INCOME

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Other revenue		
Interest income	67,315	3,580
Services fee income	9,400	–
Compensation income	30,822	–
Others	7,952	6,684
	<hr/>	<hr/>
	<u>115,489</u>	<u>10,264</u>
Other net income		
Net fair value gain arising from financial assets held for trading	271	–
Net foreign exchange gain	1,773	712
Net (loss)/gain on disposal of property, plant and equipment	(391)	359
	<hr/>	<hr/>
	<u>1,653</u>	<u>1,071</u>

5. FINANCE COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest on loans and borrowings	244,309	62,012
Interest on loan from ultimate holding company	12,025	4,022
Interest on bank overdrafts	5	36
Imputed interest on corporate bonds (<i>note 22</i>)	37,188	12,391
Finance charges on obligations under finance leases	<u>52</u>	<u>66</u>
Total interest expense on financial liabilities not at fair value through profit or loss	293,579	78,527
Less: interest expense capitalised into solar power plants under development* (<i>note 10</i>)	<u>(42,596)</u>	<u>(15,765)</u>
	<u>250,983</u>	<u>62,762</u>

* For the year ended 31 December 2016, borrowing cost has been capitalised at a rate of 10% (2015: 9%) per annum.

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

(a) Employee benefit expenses (including directors' emoluments)

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Salaries, wages and other benefits	56,450	29,351
Contributions to defined contribution retirement plan	2,761	1,104
Equity settled share-based payment expenses	<u>37,015</u>	<u>61,517</u>
Total employee benefit expenses	<u>96,226</u>	<u>91,972</u>

(b) Other items

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Auditors' remuneration	4,100	9,865
Amortisation of lease prepayments	16,316	1,347
Cost of inventories (<i>note</i>)	3,392	1,479,315
Depreciation		
– Property, plant and equipment	6,267	2,406
– Solar power plants	262,877	83,601
Operating lease charges	<u>13,528</u>	<u>7,978</u>

Note:

For the year ended 31 December 2015, cost of inventories included approximately RMB622,000 relating to the write-off of inventories, approximately RMB1,534,000 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.

7. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss represents:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current tax		
– PRC Corporate Income Tax	11,407	15,753
– (Over)/Under-provision in prior years	<u>(1,148)</u>	<u>60</u>
	10,259	15,813
Deferred tax	<u>(169)</u>	<u>(237)</u>
	<u>10,090</u>	<u>15,576</u>

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 2016 and 2015.

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

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY DURING THE YEAR

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company for the year of approximately RMB54,701,000 (2015: loss for the year of approximately RMB98,994,000) and weighted average number of ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2016 '000	2015 '000
Ordinary shares at 1 January	9,787,443	8,290,742
Effect of subscription/placing of new shares	<u>4,314,166</u>	<u>896,304</u>
Weighted average number of ordinary shares at 31 December	<u>14,101,609</u>	<u>9,187,046</u>

(b) Diluted earnings/(loss) per share

For the year ended 31 December 2016, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares. For the year ended 31 December 2015, the effect of conversion of share option scheme was anti-dilutive and diluted loss per share during the year is therefore equal to basic loss per share.

9. DIVIDEND

No dividend was paid or proposed during the year 31 December 2016 nor has any dividend been proposed since the end of reporting period (2015: Nil).

10. SOLAR POWER PLANTS

	Solar power plants <i>RMB'000</i>	Solar power plants under development <i>RMB'000</i>	Total <i>RMB'000</i>
Cost			
At 1 January 2015	535,561	1,034,247	1,569,808
Acquisition of subsidiaries (<i>note 24</i>)	1,244,583	1,192,909	2,437,492
Additions	40,346	684,896	725,242
Interest expense capitalised in solar power plants under development (<i>note 5</i>)	–	15,765	15,765
Transfer	624,832	(624,832)	–
Transfer to assets of a disposal group classified as held for sale (<i>note 18</i>)	–	(245,030)	(245,030)
	<hr/>	<hr/>	<hr/>
At 31 December 2015 and 1 January 2016	2,445,322	2,057,955	4,503,277
Acquisition of subsidiaries (<i>note 24</i>)	3,544,402	381,820	3,926,222
Additions	163,158	991,857	1,155,015
Interest expense capitalised in solar power plants under development (<i>note 5</i>)	–	42,596	42,596
Transfer	1,075,235	(1,075,235)	–
	<hr/>	<hr/>	<hr/>
At 31 December 2016	7,228,117	2,398,993	9,627,110
Accumulated depreciation			
At 1 January 2015	1,658	–	1,658
Charge for the year	83,601	–	83,601
	<hr/>	<hr/>	<hr/>
At 31 December 2015 and 1 January 2016	85,259	–	85,259
Charge for the year	262,877	–	262,877
	<hr/>	<hr/>	<hr/>
At 31 December 2016	348,136	–	348,136
Net carrying value			
At 31 December 2015	<u>2,360,063</u>	<u>2,057,955</u>	<u>4,418,018</u>
At 31 December 2016	<u>6,879,981</u>	<u>2,398,993</u>	<u>9,278,974</u>

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.

As at 31 December 2016, certain solar power plants with carrying value of approximately RMB1,357,001,000 (2015: RMB739,925,000) 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 2016, certain solar power plants with carrying value of approximately RMB5,280,270,000 (2015: RMB2,567,145,000) were pledged as securities for the Group's loans and borrowings (*note 20*).

11. INTEREST IN A JOINT VENTURE

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
At the beginning of the year	286,891	–
Capital contributions	–	288,233
Share of profit/(loss)	8,511	(1,342)
	<hr/>	<hr/>
At the end of the year	295,402	286,891
	<hr/>	<hr/>

As at 31 December 2016, 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 (the “PRC”)	55% (2015: 55%)	Finance lease business

Kong Sun Baoyuan is incorporated in the PRC and primarily engaged in the finance lease business in the PRC. The joint venture arrangement provides the Group with only the rights to the net assets of Kong Sun Baoyuan, 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 for the years ended 31 December 2016 and 2015.

12. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
At the beginning of the year	–	–
Acquisitions of associates (<i>notes</i>)	400,840	–
Gain on deemed disposal	14,609	–
Share of loss	(33,358)	–
Disposals	(382,091)	–
	<hr/>	<hr/>
At the end of the year	–	–

Notes:

- (a) On 30 January 2016, the Group completed the acquisition of approximately 44.587% equity interest in 中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.*) (“Zhongke Hengyuan”), a company incorporated and operating in the PRC. Zhongke Hengyuan is primarily engaged in the manufacturing and sales of street lights and monitoring equipment, construction of and investments in solar power plants and sales of electricity. The arrangement of the investment in Zhongke Hengyuan provided the Group with the power to participate in the financial and operating policy decisions of Zhongke Hengyuan but is not in control or jointly control over those policies. Under HKAS 28, Zhongke Hengyuan was classified as an associate and has been accounted for in the consolidated financial statements using equity method.

On 14 July 2016, upon additional capital contribution being made by one of the shareholders of Zhongke Hengyuan, the registered capital of Zhongke Hengyuan was enlarged from approximately RMB120,000,000 to RMB350,000,000 and the Group’s equity interest in Zhongke Hengyuan was diluted from approximately 44.587% to approximately 15.29%, resulting in a gain on deemed disposal of approximately RMB14,609,000. Immediately upon completion of the capital increase, Zhongke Hengyuan continued to be classified as an associate.

On 23 December 2016, the Group disposed of all of the approximately 15.29% equity interest in Zhongke Hengyuan at a cash consideration of approximately RMB374,527,000, resulting in a net gain on disposal of approximately RMB40,718,000 after taking into account the disposal expense of approximately RMB187,000. The disposal of Zhongke Hengyuan was completed on 30 December 2016. Upon completion of the disposal, Zhongke Hengyuan ceased to be classified as an associate.

- (b) On 31 March 2016, the Group acquired 54% equity interest in 掌錢電子商務有限公司 (Zhangqian E-Commerce Co., Ltd.*) (“Zhangqian E-Commerce”). Zhangqian E-Commerce is incorporated and operating in the PRC. Zhangqian E-Commerce is principally engaged in the e-commerce business which operates an online platform for matching the lenders and borrowers in the PRC. The arrangement of the investment in Zhangqian E-Commerce provides the Group with the power to participate in the financial and operating policy decisions of Zhangqian E-Commerce but is not in control or jointly control over those policies. Under HKAS 28, Zhangqian E-Commerce was classified as an associate and has been accounted for in the consolidated financial statements using equity method.

On 28 December 2016, the Group disposed all of its 54% equity interest in Zhangqian E-Commerce at a cash consideration of approximately RMB102,060,000, resulting in a gain on disposal of approximately RMB53,591,000. The disposal of Zhangqian E-Commerce was completed on 28 December 2016. Upon completion of the disposal, Zhangqian E-Commerce ceased to be classified as an associate.

13. AVAILABLE-FOR-SALE INVESTMENTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Unlisted partnership investments (<i>note (a)</i>)	300,000	–
Unlisted equity investments, at cost (<i>note (b)</i>)	52,730	–
	<u>352,730</u>	<u>–</u>

Notes:

- (a) (i) Included in the unlisted fund investments represents approximately 15% equity interest in a limited partnership. On 11 October 2016, a wholly-owned subsidiary of the Company, as a junior limited partner, and the other two partners entered into a partnership agreement, pursuant to which all parties agreed to establish the limited partnership for carrying out investments primarily in the high-tech and emerging industries, the energy industry and other high-growth unlisted enterprises.
- (ii) Remaining of the unlisted fund investments represents 30% interest in another limited partnership. On 30 September 2016, a wholly-owned subsidiary of the Company and other partners entered into a partnership agreement, pursuant to which all parties agreed to establish the limited partnership for carrying out investments primarily in healthcare industries.
- (b) The unlisted equity investments consist of 30% interest in a healthcare fund company in the PRC, 25% interest in a small amounts money-lending company in the PRC, 1% interest in a biotechnology company in the PRC and 0.516% interest in a commercial bank in the PRC.

Given that the Group has no power to govern or participate in the financial and operating policies of above partnerships and investment entities so as to obtain benefits from their activities and does not intend to trade the investments for short-term profit, the Directors designated the above unlisted investment as available-for-sale investments.

The above unlisted partnership investments and unlisted equity investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be reliably measured.

14. FINANCIAL ASSETS HELD FOR TRADING

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Listed securities:		
Equity security listed in Hong Kong	83,118	–
Equity security listed in the PRC	153,511	–
	<u>236,629</u>	<u>–</u>

The fair values of all listed securities are determined directly by reference to the quoted market bid price available on the relevant exchanges.

15. TRADE, BILLS AND OTHER RECEIVABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	849,581	821,697
Bills receivables	50,552	655,824
Trade and bills receivable (<i>note (i)</i>)	900,133	1,477,521
Loans and advances to Zhongke Hengyuan (<i>note (ii)</i>)	–	1,144,109
Other deposits, prepayments and receivables	2,305,448	1,328,446
	3,205,581	3,950,076

Notes:

- (i) The Group's trade receivables are mainly electricity sales receivables and receivables from trading of solar energy related products. The bills receivables represented outstanding commercial acceptance bills. Generally, the receivables are due within 30 to 180 days (2015: 30 to 180 days) from the date of billing, except for the tariff adjustment. At 31 December 2016, the outstanding tariff adjustment amounted to approximately RMB712,663,000 (2015: RMB188,113,000).

Ageing of trade and bills receivables, based on invoice dates, are as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Less than 3 months	215,921	1,246,313
Over 3 months but less than 6 months	201,102	99,864
Over 6 months but less than 12 months	309,473	67,486
Over 12 months but less than 24 months	173,637	63,858
	900,133	1,477,521

Ageing of trade and bill receivables, based on due date, are as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Neither past due nor impaired	107,256	1,254,243
Less than 3 months past due	161,854	41,100
Over 3 months but less than 6 months past due	204,946	65,183
Over 6 months but less than 12 months past due	287,535	59,611
Over 12 months but less than 24 months past due	138,542	57,384
	900,133	1,477,521

Tariff adjustment receivables represent PRC government subsidies on solar power plants to be received from the State Grid Company based on the respective electricity sale and purchase agreements for each of the solar power plants and the prevailing nationwide government policies.

- (ii) The balance related to certain loans and advances made to Zhongke Hengyuan and was fully repaid during the year ended 31 December 2016.
- (iii) 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 RMB600,000 (2015: RMB647,000) as at 31 December 2016, which are expected to be recovered after more than one year.
- (iv) As at 31 December 2016, certain trade receivables arising from the electricity sales amounting to approximately RMB476,809,000 (2015: RMB106,086,000) were pledged as securities for the Group's loans and borrowings (*note 20*).

16. STRUCTURED BANK DEPOSITS

The structured bank deposits, denominated in Renminbi ("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 2017 with the principal amount together with the investment return returned to the Group. The Group considers that the fair value of embedded derivative is minimal and hence no derivative financial instruments are recognised.

17. CASH AND CASH EQUIVALENTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Cash on hand	118	14
Cash at banks	<u>628,009</u>	<u>637,718</u>
	<u>628,127</u>	<u>637,732</u>

Included in cash and cash equivalents of the Group is approximately RMB513,007,000 (2015: RMB502,453,000) of bank balances denominated in RMB and approximately RMB35,990,000 (2015: Nil) of bank balances denominated in Hong Kong dollar 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.

18. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

- (a) As at 31 December 2016, the assets and liabilities related to Lead Power Investments Limited ("Lead Power"), a subsidiary in which the Group held as to 100% of the shares in issue, have been presented as held for sale following the sales and purchase agreement dated 28 December 2016 entered into between the Group and the purchaser. The principal activities of Lead Power are properties investment.

In accordance with HKFRS 5, assets and liabilities relating to Lead Power have been classified as held for sale in the consolidated statement of financial position as at 31 December 2016. 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 HK\$53,000,000 (equivalent to approximately RMB47,409,000) as the fair value less cost of disposal for the disposal of Lead Power. An impairment loss of approximately HK\$5,951,000 (equivalent to approximately RMB5,093,000), which represents the sale proceeds less the carrying amount of the net assets of Lead Power as at 31 December 2016, was charged to profit or loss during the year ended 31 December 2016.

	2016 RMB'000
Investment properties	47,498
Other receivables	12
Cash and cash equivalents	3,380
Deferred tax assets	2,259
Exchange difference	(231)
Impairment loss on a disposal group classified as held for sale	<u>(5,093)</u>
 Total assets classified as held for sale	 <u>47,825</u>
 Other payables	 <u>416</u>
 Total liabilities classified as held for sale	 <u>416</u>

- (b) As at 31 December 2015, 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 had 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. 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 was still at development stage. The disposal of Yulin BYD was completed on 15 January 2016.

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 31 December 2015, was charged to profit or loss during the year ended 31 December 2015.

	2015 <i>RMB'000</i>
Solar power plants under development (<i>note 10</i>)	245,030
Trade and other receivables	423
Cash and cash equivalents	262
Impairment loss on a disposal group classified as held for sale	<u>(57,158)</u>
Total assets classified as held for sale	<u>188,557</u>
Trade and other payables	<u>3,090</u>
Total liabilities classified as held for sale	<u>3,090</u>

19. TRADE AND OTHER PAYABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	1,724,513	2,044,386
Other payables and accruals	<u>1,076,263</u>	<u>390,640</u>
	<u>2,800,776</u>	<u>2,435,026</u>

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current or less than 3 months	505,443	1,854,022
Over 3 months but less than 6 months	138,336	8,966
Over 6 months but less than 12 months	466,387	104,549
Over 12 months	<u>614,347</u>	<u>76,849</u>
	<u>1,724,513</u>	<u>2,044,386</u>

Retention payable amounting to approximately RMB311,310,000 (2015: RMB123,600,000), which are included in other payables and accruals, will be settled or recognised as income after more than one year. All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

20. LOANS AND BORROWINGS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current		
Secured		
– bank loans	8,945	81,977
– other borrowings	<u>1,021,672</u>	<u>946,540</u>
	<u>1,030,617</u>	<u>1,028,517</u>
Non-current		
Secured		
– bank loans	–	1,550
– other borrowings	<u>4,830,339</u>	<u>1,938,547</u>
	<u>4,830,339</u>	<u>1,940,097</u>
Total loans and borrowings	<u>5,860,956</u>	<u>2,968,614</u>

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 1 year	1,030,617	1,028,517
After 1 year but within 2 years	756,127	305,916
After 2 years but within 5 years	2,353,152	784,875
Over 5 years	<u>1,721,060</u>	<u>849,306</u>
	<u>5,860,956</u>	<u>2,968,614</u>

Loans and other borrowings bear interest ranging from 3.8% to 10.5% (2015: 5% to 12.25%) per annum. The bank loans bear floating interest rate (2015: floating).

The loans and borrowings were secured by the following assets:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Solar power plants (<i>note 10</i>)	5,280,270	2,567,145
Trade receivables (<i>note 15</i>)	476,809	106,086
Property, plant and equipment	1,219	1,041
Lease prepayments	<u>867</u>	<u>913</u>
	<u>5,759,165</u>	<u>2,675,185</u>

As at 31 December 2016, other borrowings amounting to RMB22,000,000 (2015: RMB22,000,000) were pledged by equity interests of 揚州啟星新能源發展有限公司 (Yangzhou Qixing New Energy Developments Limited*), RMB500,000,000 (2015: Nil) were 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 RMB1,200,000,000 were pledged by equity interests of 江山豐融投資有限公司 (Jiangshan Fengrong Investment Company Limited*).

As at 31 December 2015, other borrowings amounting to RMB800,000,000 were pledged by equity interests of 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 RMB619,984,000 (2015: RMB399,134,000).

21. LOAN FROM ULTIMATE HOLDING COMPANY

On 19 November 2015, the Company and Pohua JT Private Equity Fund L.P. (“Pohua JT”), the ultimate holding company of the Company, 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 and to be matured on the 3rd anniversary of the drawdown date. On 2 March 2016, the loan was capitalised in a subscription of the Company’s shares by Pohua JT (*note 23(a)*).

22. CORPORATE BONDS

	2016 <i>RMB’000</i>	2015 <i>RMB’000</i>
At the beginning of the year	322,008	–
Initial recognition	42,831	317,546
Imputed interest expense (<i>note 5</i>)	37,188	12,391
Interest payable	(25,448)	(8,459)
Exchange realignment	23,488	530
	<u>400,067</u>	<u>322,008</u>
At the end of the year	<u>400,067</u>	<u>322,008</u>

During the year ended 31 December 2016, the Company issued corporate bonds denominated in Hong Kong dollar amounting to HK\$53,500,000 (equivalent to approximately RMB47,856,000) (2015: HK\$423,500,000 (equivalent to approximately RMB354,800,000)) in aggregate due in 2019 (2015: due in 2018) to certain independent third parties. As at 31 December 2016, the net proceeds of the issued corporate bonds received by the Company were approximately HK\$47,883,000 (equivalent to approximately RMB42,831,000) (2015: HK\$379,032,500 (equivalent to approximately RMB317,546,000)), with total issue cost amounting to approximately HK\$5,617,000 (equivalent to approximately RMB5,025,000) (2015: 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\$43,455,000 (equivalent to approximate RMB37,188,000) (2015: HK\$15,422,000 (equivalent to approximately RMB12,391,000)) was recognised in profit or loss during the year.

23. SHARE CAPITAL

	2016		2015	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
Issued and fully paid				
At beginning of the year	9,787,442	3,608,604	8,290,742	2,267,976
Subscription/Placing of new shares (notes (a), (b) and (c))	<u>5,177,000</u>	<u>2,877,984</u>	<u>1,496,700</u>	<u>1,340,628</u>
At end of the year	<u>14,964,442</u>	<u>6,486,588</u>	<u>9,787,442</u>	<u>3,608,604</u>

Notes:

- (a) On 2 March 2016, the Company completed the issuance of 5,177,000,000 new shares at the price of HK\$0.66 per share to Pohua JT (the "Subscription"). The net proceeds derived from the Subscription amounted to approximately HK\$1,901,567,000 (equivalent to approximately RMB1,601,688,000), 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 RMB1,276,296,000). 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.
- (b) On 10 April 2015, the Company completed the placing of 352,000,000 new 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, was approximately HK\$365,094,000 (equivalent to approximately RMB289,107,000). Details of the 2015 April Placing are 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 new 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, was approximately HK\$1,333,131,000 (equivalent to approximately RMB1,051,521,000). Details of the 2015 June Placing are set out in the Company's announcements dated 28 April 2015 and 11 June 2015.

24. ACQUISITION OF SUBSIDIARIES

(a) Business combinations

During the year ended 31 December 2016, the Group entered into various equity transfer agreements with independent third parties to acquire equity interests in certain PRC-incorporated entities. The newly-acquired entities are set out as follows:

Name of entities	Completion Date of Acquisition
定邊縣昂立光伏科技有限公司 (Dingbian Ang'Li Photovoltaic Technology Company Limited*) (note)	28 January 2016
樟樹市中利騰暉光伏有限公司 (Zhangshu Zhongli Tenghui Photovoltaic Power Ltd.*) (note)	3 February 2016
巨鹿縣明暉太陽能發電有限公司 (Julu Minghui Photovoltaic Power Ltd.*) (note)	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.*) (note)	3 February 2016
肥西中暉光伏發電有限公司 (Feixi Zhonghui Photovoltaic Power Ltd.*) (note)	1 March 2016
霍林郭勒競日能源有限公司 (Huolin Guole Jingri Energy Company Limited*) ("Huolin Jingri") (note)	22 March 2016
北京四海盈辰投資有限責任公司 (Beijing Sihai Yingchen Investment Co, Ltd.*)	23 May 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") (note)	28 June 2016
定邊縣晶陽電力有限公司 (Dingbian Jingyang Electric Co., Ltd.*) (note)	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.*) (note)	30 June 2016
黃金貸互聯網金融服務(深圳)有限公司 (Huangjin Dai Internet Financial Services (Shenzhen) Co., Ltd.*)	28 July 2016
黃石黃源光伏電力開發有限公司 (Wangshi Wangyuan Photovoltaic Power Development Co., Ltd.*) (note)	10 August 2016
宿州旭強新能源工程有限公司 (Suzhou Xuqiang New Energy Engineering Co., Ltd.*) (note)	21 September 2016
喀什國新電力有限公司 (Kashi Guoxin New Power Co., Ltd.*)"("Kashi Guoxin") (note)	27 September 2016
宿州市雲陽新能源發電有限公司 (Suzhou Yunyang New Power Generation Co., Ltd.) ("Suzhou Yunyang") (note)	12 December 2016
麥蓋提縣恒基偉業光伏電力有限公司 (Maigaiti Hengji Weiye Photovoltaic Power Co., Ltd.*) ("Maigaiti Hengji") (note)	27 December 2016
靖邊縣智光新能源開發有限公司 (Jingbian Zhiguang New Energy Development Co., Ltd.) ("Jingbian Zhiguang") (note)	29 December 2016

Note:

These entities are principally engaged in the operation of solar power plants and electricity generation. As at the respective Completion Date of Acquisitions, Maigaiti Hengji, Huolin Jingri, Jiangbian Zhiguang, Kashi Guoxin, Qianyang Baoyuan and Suzhou Yunyang are generating electricity to provincial power grids.

The combined identifiable assets acquired and liabilities assumed at the respective Completion Date of Acquisitions are as follows:

	Carrying amount RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Solar power plants (<i>note 10</i>)	3,544,402	–	3,544,402
Property, plant and equipment	145	–	145
Lease prepayment	5,019	–	5,019
Trade and other receivables, prepayment and deposits	482,430	–	482,430
Cash and cash equivalents	71,353	–	71,353
Trade and other payables	(3,459,858)	–	(3,459,858)
Loans and borrowings	(422,257)	–	(422,257)
	<hr/>		
Total identifiable net assets at fair value	221,234	–	221,234
Goodwill			<hr/> 60,396
			<hr/>
Fair value of cash consideration			<hr/> 281,630
			<hr/>
Purchase consideration settled in cash			281,630
Less: cash and cash equivalents in subsidiaries acquired			<hr/> (71,353)
			<hr/>
Net cash outflows			<hr/> 210,277

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.

(b) Acquisition of assets

During the year ended 31 December 2016, 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 RMB63,291,000. Jiangshan Yongche, Liuan Xuqiang and Jiyuan Dayu are engaged in the operation of solar power plants and electricity generation. As at the respective dates of acquisitions, these entities were still at development stage. Single Star is engaged in properties investment. 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
Single Star Development Limited (“Single Star”) 榆林市江山永宸新能源有限公司 (Yulin City Jiangshan Yongche New Energy Co., Ltd.)* (“Jiangshan Yongche”)	100% 100%
六安旭强新能源工程有限公司 (Liuan Xuqiang New Energy Engineering Co., Ltd.)* (“Liuan Xuqiang”)	100%
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%

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

	RMB’000
Solar power plants under development (<i>note 10</i>)	381,820
Property, plant and equipment	188
Investment properties	1,968
Trade and other receivables	347,812
Cash and cash equivalents	7,300
Trade and other payables	<u>(675,797)</u>
Net assets acquired	<u>63,291</u>
Satisfied by:	
Cash consideration	<u>63,291</u>
Purchase consideration settled in cash	63,291
Less: cash and cash equivalents acquired	<u>(7,300)</u>
Net cash outflows	<u>55,991</u>

25. DISPOSAL OF SUBSIDIARIES

- (a) On 24 December 2015, the Group entered into a repurchase agreement to dispose of its entire interests in Yulin BYD at a cash consideration of RMB184,600,000. Yulin BYD is principally engaged in the development of a solar power plant and electricity generation. The disposal of 99.884% equity interests in Yulin BYD was completed on 15 January 2016. Net assets of Yulin BYD at the date of disposal were as follows:

	<i>RMB'000</i>
Net assets disposed of:	
Solar power plant under development	187,872
Cash and cash equivalents	262
Other receivables	423
Other payables and accruals	<u>(3,090)</u>
	185,467
Loss on disposal of Yulin BYD	<u>(867)</u>
Total consideration satisfied by cash	<u>184,600</u>

- (b) On 21 July 2016, the Group entered into a sale and purchase agreement to dispose of its entire interests in Lisun Plastic Factory Limited and its wholly-owned subsidiary, namely 惠東縣麗新塑膠廠有限公司 (Huidong County Lisun Plastic Factory Limited*) (collectively referred as to the “Lisun Plastic Group”) at a cash consideration of HK\$600,000 (equivalent to approximately RMB537,000). Lisun Plastic Group is principally engaged in manufacturing and trading of life-like plants. The disposal of Lisun Plastic Group was completed on 22 July 2016. Net liabilities of Lisun Plastic Group at the date of disposal were as follows:

	<i>RMB'000</i>
Net liabilities disposed of:	
Property, plant and equipment	306
Trade and other receivables	10
Cash and cash equivalents	20
Other payables and accruals	<u>(7,267)</u>
	(6,931)
Assignment of receivables to buyer	1,844
Release of exchange reserve upon disposal	(85)
Gain on disposal of Lisun Plastic Group	<u>5,709</u>
Total consideration satisfied by cash	<u>537</u>

- (c) On 15 June 2016, the Group entered into a sale and purchase agreement to dispose of its entire interests in Regent Prospect Limited and its wholly-owned subsidiaries, namely FT China Limited and 東莞聯藝塑膠製品有限公司 (Dongguan United Art Plastic Products Limited*) (collectively referred as to the “Regent Prospect Group”) at a cash consideration of HK\$71,000,000 (equivalent to approximately RMB60,122,000). The principal activities of Regent Prospect Group are properties investment and manufacturing and sales of life-like plants. The disposal of Regent Prospect Group was completed on 31 August 2016. Net assets of Regent Prospect Group at the date of disposal were as follows:

	<i>RMB'000</i>
Net assets disposed of:	
Property, plant and equipment	19,114
Lease prepayments	10,535
Trade and other receivables	5
Cash and cash equivalents	98
Other payables and accruals	(5,388)
Deferred tax liabilities	(4,109)
	<hr/>
	20,255
Release of exchange reserve upon disposal	(882)
Gain on disposal of Regent Prospect Group	40,749
	<hr/>
Total consideration satisfied by cash	<u>60,122</u>

26. EVENTS AFTER THE REPORTING DATE

- (a) On 3 January 2017, the Group entered into an asset management agreement with 北京新華富時資產管理有限公司 (Beijing Xinhua FTSE Asset Management Company Limited*) pursuant to which, the Group has agreed to entrust a total amount of not exceeding RMB1,000,000,000 as entrusted assets to Beijing Xinhua FTSE Asset Management Company Limited, who will act as the investment manager to manage the aforesaid entrusted assets. Under the asset management agreement, the Group is guaranteed with a minimum return of 9% per annum. For details, please refer to the announcement of the Company dated 3 January 2017.
- (b) On 27 February 2017, the Group entered into a subscription agreement with 內蒙古呼和浩特金谷農村商業銀行股份有限公司 (Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company*) (“Hohhot Jingu Bank”), a commercial bank based in Inner Mongolia, to subscribe for 57,124,844 new shares of Hohhot Jingu Bank at the price of RMB3 per share (the “Jingu Subscription”). The Jingu Subscription represents approximately 4.46% of the issued share capital of Hohhot Jingu Bank. Upon completion of the Jingu Subscription, the Group will hold an aggregate of approximately 4.98% of the issued share capital of Hohhot Jingu Bank. Details of the Jingu Subscription are set out in the Company’s announcement dated 27 February 2017.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The Company’s external auditor has issued a qualified opinion on the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2016. An extract from the independent auditor’s report is as follows:

Qualified Opinion

We have audited the consolidated financial statements of Kong Sun Holdings Limited (the “Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance, except for the possible effects on the corresponding figures of the matters described in the “Basis for Qualified Opinion” section of our report.

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 were 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 were companies engaged in investment in and operation of solar power plants in the People’s Republic of China (the “PRC”) and were the manufacturers of solar modules and equipment respectively. The trade receivables and trade payables relating to the Transactions were settled during the year ended 31 December 2016.

In our audit of the consolidated financial statements for the year ended 31 December 2015 (“2015 Consolidated Financial Statements”), 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 advices 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 2015.

In respect of the element of Trading of Goods, we obtained the explanations from the Company’s management about the basis for the business substance. However, we had 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 to us in our audit of 2015 Consolidated Financial Statements. Accordingly, we were unable to determine whether the Transactions should be recognised as sales and purchases in the Company’s 2015 Consolidated Financial Statements.

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. In our audit of 2015 Consolidated Financial Statements, we obtained the explanations from the Company’s management the reasons leading to the absence of the evidence. However, we had not been able to obtain sufficient appropriate audit evidence to determine whether the Transactions contained any service element and whether the Group had 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.

Our audit opinion on the consolidated financial statements for the year ended 31 December 2015 was modified accordingly. Our opinion on the consolidated financial statements for the year ended 31 December 2016 was also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 and securities investment and sales of life-like plants.

PV POWER PLANTS BUSINESS

During the year ended 31 December 2016, the Group continued its investment in and development of PV power plants in the PRC. As at 31 December 2016, the Group had a total of 1,150.3 megawatts (“MW”) grid-connected PV power plants on hand as follows:

Completed solar power plants

Province	Number of solar power plants as at 31 December 2016	Capacity of power plants MW
Xinjiang	11	240
Gansu	4	159.5
Inner Mongolia	2	40
Shaanxi	5	230
Henan	1	20
Hebei	2	51
Shandong	1	20
Anhui	5	160
Hubei	1	30
Jiangxi	2	80
Zhejiang	2	119.8
Total	36	1,150.3

Note: Except for a 20MW PV power plant located in Xinjiang Province which is 95% owned by the Group, all the above PV power plants are wholly-owned by the Group.

In addition, as at 31 December 2016, the Group had the following, 100% owned, ground mounted PV power plants under development:

Solar power plants under development

Province	Number of solar power plants as at 31 December 2016	Capacity of power plants <i>MW</i>
Shaanxi	3	360
Hebei	1	20
Shandong	1	50
Total	5	430

PROPERTIES INVESTMENT

The total rental income of the Group from its properties investment decreased by approximately 23.7% from approximately RMB1,606,000 for the year ended 31 December 2015 to approximately RMB1,226,000 for the year ended 31 December 2016. The decrease in total rental income was mainly attributable to the disposal of one of the Group's investment properties located in Hong Kong.

SECURITIES INVESTMENT

As at 31 December 2016, the Group managed a portfolio of investments in capital market with fair value of approximately RMB236,629,000 (2015: Nil). The portfolio of investments managed by the Group consists of investment in two listed equities in Hong Kong and the PRC. The Group will be watchful on market developments and will continue to be prudent in managing its investment portfolio with a continuing focus on improving overall asset quality. For the year ended 31 December 2016, the Group had recorded a net fair value gain on financial assets held for trading amounted to approximately RMB271,000 (2015: Nil). For further details, please also refer to the paragraph headed "Results of operations - Financial assets held for trading" in this announcement.

LIFE-LIKE PLANTS BUSINESS

The revenue from life-like plants business decreased by approximately 12.4% from approximately RMB4,929,000 for the year ended 31 December 2015 to approximately RMB4,317,000 for the year ended 31 December 2016.

RESULTS OF OPERATIONS

Revenue

The revenue of the Group decreased by approximately 67.7% from approximately RMB1,736,278,000 for the year ended 31 December 2015 to approximately RMB559,959,000 for the year ended 31 December 2016. The decrease was primarily due to the decrease in revenue from sales of solar energy related products.

Revenue from sales of electricity

The Group's revenue from sales of electricity increased significantly by approximately 369.7% from approximately RMB118,032,000 for the year ended 31 December 2015 to approximately RMB554,416,000 for the year ended 31 December 2016 due to the increased installed capacity of grid-connected PV power plants on hand. As at 31 December 2016, the Group had a total of 1,150.3MW installed capacity of PV power plants on hand, comparing to the 469.5MW installed capacity of PV power plants on hand as at 31 December 2015.

Revenue from sales of solar energy related products

During the year end 31 December 2016, the Group had been exerting most of its investment efforts in its electricity sales segment given that sales of electricity has a relatively higher gross margin. As such, the Group has lessen its business focus for its sales of solar energy related products which generates relatively lower profit margin and accordingly no revenue was generated from the sales of solar energy related products for the year ended 31 December 2016, as compared with the amount of RMB1,611,711,000 for the year ended 31 December 2015.

Revenue from sales of life-like plants

The Group's revenue from sales of life-like plants decreased by approximately 12.4% from approximately RMB4,929,000 for the year ended 31 December 2015 to approximately RMB4,317,000 for the year ended 31 December 2016.

Rental income

The Group's rental income decreased by approximately 23.7% from approximately RMB1,606,000 for the year ended 31 December 2015 to approximately RMB1,226,000 for the year ended 31 December 2016, mainly attributable to the disposal of one of the Group's investment properties in Hong Kong.

Gross profit

The gross profit of the Group increased significantly by approximately 57.1% from approximately RMB191,150,000 for the year ended 31 December 2015 to approximately RMB300,349,000 for the year ended 31 December 2016. The gross margin from sales of electricity is relatively higher than other revenue and hence, notwithstanding the decrease in the overall revenue amount for the year ended 31 December 2016, the gross profit of the Group increased due to the increase in revenue from sales of electricity during the year under review. As a result, the gross profit margin of the Group increased from 11.0% for the year ended 31 December 2015 to 53.6% for the year ended 31 December 2016.

(Loss)/gain 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 2016, the Group recorded a loss on fair value changes on investment properties of RMB5,563,000 (2015: gain of RMB5,222,000). The decrease in fair value of the Group's investment properties during the year ended 31 December 2016 was primarily due to a decrease in the property price of one of the investment properties held by the Group.

Other revenue

Other revenue of the Group increased by approximately 1,025.2% from approximately RMB10,264,000 for the year ended 31 December 2015 to approximately RMB115,489,000 for the year ended 31 December 2016. The increase is mainly due to (i) an increase in interest income of approximately RMB63,735,000 as a result of an increase in bank and other deposits; and (ii) an one-off compensation income of approximately RMB30,822,000 from one of the Group's Engineering Procurement Construction ("EPC") contractors in accordance with the compensation clause of the respective contract.

Other net income

Other net income of the Group increased by 54.3% from approximately RMB1,071,000 for the year ended 31 December 2015 to approximately RMB1,653,000 for the year ended 31 December 2016. The increase is mainly due to an increase in net foreign exchange gain of approximately RMB1,061,000 and a net fair value gain on financial assets held for trading amounted to approximately RMB271,000 (2015: Nil), which was partly offset by the net loss on disposal of property, plant and equipment of approximately RMB391,000 (2015: net gain RMB359,000) during the year ended 31 December 2016.

Administrative expenses

Administrative expenses of the Group increased by approximately 15.3% from approximately RMB190,797,000 for the year ended 31 December 2015 to approximately RMB219,974,000 for the year ended 31 December 2016. The increase was attributable to (i) an increase in salaries, wages and other benefits amounted to approximately RMB27,099,000 due to an increase in head count; (ii) an increase in legal and other professional fees amounted to approximately RMB14,142,000; (iii) an increase in office rental expenses amounted to approximately RMB5,550,000; (iv) an increase in depreciation of property, plant and equipment amounted to approximately RMB3,861,000; and (v) an increase in travelling and transportation expenses amounted to approximately RMB3,287,000.

Gain on disposal of subsidiaries, net

During the year ended 31 December 2016, the Group disposed of certain of its subsidiaries and recorded a net gain on disposal of subsidiaries of approximately RMB45,591,000 (2015: RMB21,006,000). For details, please refer to note 25 to the financial statements.

Gain on disposal/deemed disposal of associates

During the year ended 31 December 2016, the Group disposed of certain of its associates and recorded a total gain on disposal/deemed disposal of associates of approximately RMB108,918,000 (2015: Nil). For details, please refer to note 12 to the financial statements.

Finance costs

Finance costs of the Group increased by approximately RMB188,221,000 from approximately RMB62,762,000 for the year ended 31 December 2015 to approximately RMB250,983,000 for the year ended 31 December 2016. 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 respective PV power plants also increased significantly during the year under review.

Solar power plants

As at 31 December 2016, the Group had a net carrying value of approximately RMB6,879,981,000 (2015: RMB2,360,063,000) and approximately RMB2,398,993,000 (2015: RMB2,057,955,000) in completed solar power plants and solar power plants under development, respectively. During the year ended 31 December 2016, the Group capitalized on the implementation of the favourable policies by actively investing in and developing PV power plants in China. For details, please refer to note 10 to the financial statements. As at 31 December 2016, the Group had a total of 1,150.3MW installed capacity of completed PV power plants on hand, comparing to the 469.5MW installed capacity of PV power plants on hand as at 31 December 2015.

Interest in a joint venture

As at 31 December 2016, the net carrying value of the joint venture was approximately RMB295,402,000 (2015: RMB286,891,000).

Investment properties

Investment properties decreased from approximately RMB49,010,000 as of 31 December 2015 to approximately RMB984,000 as of 31 December 2016. The decrease was mainly due to the reclassification of an investment property with a carrying value of approximately RMB47,498,000 (2015: Nil) under the classification of “Assets of a disposal group classified as held for sale” during the year under review.

Goodwill

During the year ended 31 December 2016, the Group had acquired a number of solar power plants with operations and recorded an additional amount of approximately RMB60,396,000 (2015: RMB51,211,000) in respect of goodwill on the acquisitions. For details, please refer to note 24 to the financial statements.

Available-for-sale investments

During the year ended 31 December 2016, the Group acquired certain available-for-sale investments amounted to RMB352,730,000 (2015: Nil). The unlisted investments are for long-term investment purposes and hence are classified as available-for-sale investments in the consolidated statement of financial position. For details, please refer to note 13 to the financial statements.

Financial assets held for trading

As at 31 December 2016, the Company had financial assets held for trading with a market value of approximately RMB236,629,000 (2015: Nil), representing an investment portfolio of two listed equities in Hong Kong and the PRC, details of which are as follows:

	% of shareholding of the listed investments as at 31 December 2016	Fair value change through profit or loss RMB'000	Fair value as at 31 December 2016 RMB'000	% of Total Assets of the Group as at 31 December 2016	Fair value as at 31 December 2015 RMB'000
Listed investments					
Listed shares in Hong Kong	1.3%	(517)	83,118	0.5%	–
Listed shares in the PRC	1.7%	788	153,511	1.0%	–
Total		271	236,629	1.5%	–

Trade, Bills and Other Receivables

Trade, bills and other receivables decreased from approximately RMB3,950,076,000 as of 31 December 2015 to approximately RMB3,205,581,000 as of 31 December 2016. The decrease was mainly due to the repayment of trade and bills receivables and the repayment of loans and advances from Zhongke Hengyuan.

Structured bank deposits

As at 31 December 2016, the Group had placed RMB1,125,000,000 (2015: RMB700,000,000) bank deposits with a bank in the PRC to earn a guaranteed and capital-protected return by making good use of the idle cash of the Company. The deposits were subsequently withdrawn in January 2017. For details, please refer to note 16 to the financial statements.

Trade and Other Payables

Trade and other payables increased from approximately RMB2,435,026,000 as of 31 December 2015 to approximately RMB2,800,776,000 as of 31 December 2016. 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 more solar power plant projects were developed during the year, other payables mainly related to purchase of solar modules and equipment and construction costs of solar power plants have increased from approximately RMB390,640,000 as of 31 December 2015 to approximately RMB1,076,263,000 as of 31 December 2016.

Liquidity and Capital Resources

As at 31 December 2016, the total amount of structured bank deposits, pledged bank deposits and cash and cash equivalents was approximately RMB1,753,127,000 (2015: RMB1,337,732,000). As at 31 December 2016, cash and cash equivalents of the Group was approximately RMB628,127,000 (2015: RMB637,732,000), which included an amount of bank deposits of approximately RMB513,007,000 (2015: RMB502,453,000) denominated in RMB and approximately RMB35,990,000 (2015: Nil) of bank balances denominated in Hong Kong dollar placed with banks in the PRC. 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 Hong Kong dollar denominated accounts with banks in Hong Kong.

As at 31 December 2016, 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 and structured bank deposits, over the total equity, was 0.70 (2015: 0.57).

Capital Expenditure

During the year ended 31 December 2016, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB11,742,000 (2015: RMB15,385,000) and RMB1,155,015,000 (2015: RMB725,242,000), respectively.

Loans and Borrowings

As at 31 December 2016, the Group's total loans and borrowings was approximately RMB5,860,956,000, representing an increase of approximately RMB2,892,342,000 over the amount of approximately RMB2,968,614,000 as at 31 December 2015. 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 RMB8,945,000 (2015: RMB87,305,000) which were denominated in Hong Kong dollar, were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC.

Loan from ultimate holding company

On 19 November 2015, the Company and Pohua JT Private Equity Fund L.P. ("Pohua JT"), the ultimate holding company of the Company, 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 and to be matured on the 3rd anniversary of the drawdown date. On 2 March 2016, the loan was capitalised in a subscription of the Company's shares by Pohua JT. For details, please refer to note 23(a) to the financial statements.

Corporate bonds

During the year ended 31 December 2016, the Company issued Hong Kong dollar-denominated corporate bonds due in 2019 (the "Corporate Bonds") with an aggregate principal amount of HK\$53,500,000 (equivalent to approximately RMB47,856,000) to certain independent third parties. During the year ended 31 December 2016, the net proceeds of the issued Corporate Bonds received by the Company were approximately HK\$47,883,000 (equivalent to approximately RMB42,831,000), with total issue cost amounting to approximately HK\$5,617,000 (equivalent to approximately RMB5,025,000). The Corporate Bonds bear an interest of 6% per annum, and will 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\$43,455,000 (equivalent to approximately RMB37,188,000) (note 5 to the financial statements) was recognised in the profit or loss during the year under review.

Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the year ended 31 December 2016, 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, but will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on Assets

As at 31 December 2016, the Group had charged solar power plants, trade receivables, property, plant and equipment and lease prepayments with net book value of approximately RMB5,280,270,000 (2015: RMB2,567,145,000), RMB476,809,000 (2015: RMB106,086,000), RMB1,219,000 (2015: RMB1,041,000) and RMB867,000 (2015: RMB913,000) 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 certain notices (the "Notices") issued by the State Energy Administration (國家能源局), 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. Taking into consideration of the legal opinion sought from the Company's legal adviser as to PRC law, given that the Group has obtained the preliminary approval from respective relevant government authorities to continue the remaining development of the solar power plants, the Company's legal adviser as to PRC law 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. Accordingly, the Directors consider there is no significant impact on the Group's control over these entities and the development of these solar power plants.

The Group has entered into a guarantee with respect to a loan of RMB153,000,000 (2015: RMB120,000,000) granted by Kong Sun Baoyuan to an independent third party as at 31 December 2016, 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 31 December 2016, 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 2016, the Group had approximately 531 (2015: 236) 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 2016, the total employees benefit expenses (including directors' emoluments) were approximately RMB96,226,000 (2015: RMB91,972,000). For details, please refer to note 6(a) to the financial statements. 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 announcement, the Group did not have any significant investments, other material acquisition or disposal during the year ended 31 December 2016, and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

PROSPECT

In recent years, climate change and new energy development have become a growing global topic. In November 2016, the "Paris Agreement", which was signed to address global climate change, came into force. Pursuant to which, the 55 signatories would kick off formulating and implementing their plans for reducing the greenhouse gas emissions under the convention. Local governments of several other countries have also launched various policies benefiting the PV industry, which will undoubtedly usher in another around of rapid growth and become an essential impetus to the global new energy development. In the early 2017, the National Development and Reform Commission of China and the National Energy Administration officially unveiled the "13th Five-Year-Plan for Energy Development" (《能源發展「十三五」規劃》), proposing to establish a modern energy system that is clean, low-carbon, safe and highly efficient. With the strong supportive policies by the PRC government, China's PV power generation market will continue to enjoy a robust growth. According to the "13th Five-Year-Plan for Energy Development", the installed PV capacity in China is expected to reach 105GW by 2020. As the world's largest consumption country of the PV power in the future, it is expected that the potential of PV power generation market in China will be huge.

Looking forward, the new norm of China's economic development and the future trend of using energy in a greener, lower-carbon and higher efficiency way may bring exceptional opportunities and tremendous development potential to the Group. The Group will persistently refine its operational model and upgrade the technology and equipment at its PV power stations, so as to improve power generation efficiency at the power stations. In the future, the Group will continue to expand its power station business exposure geographically and further optimize the operation and maintenance management, facilitate innovation in corporate organization and team's specialization establishment. Moreover, the Group will constantly increase its total installed PV capacity by various cooperative and acquired projects and proactively work in line with the government's new energy policies, thereby further enhancing its overall competitiveness and market influence in the industry.

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 2016.

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 Director 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.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

EVENTS AFTER THE REPORTING DATE

For details of events after the reporting date, please refer to note 26 to the financial statements.

ISSUE OF NEW SHARES AND USE OF PROCEEDS

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 shares of the Company (the “Subscription Shares”) at the subscription 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.

As at 31 December 2016, all the net proceeds from the issue of the Subscription Shares were fully utilised in accordance with the terms as stated in the Subscription Agreement.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) as the code for dealing in securities of the Company by the Directors during the year ended 31 December 2016. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company and its subsidiaries.

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 2016 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.

During the year ended 31 December 2016, the Audit Committee consisted of three independent non-executive Directors: Mr. Miu Hon Kit, Mr. Wang Haisheng and Mr. Lu Hongda. On 24 January 2017, Mr. Lu Hongda resigned as an independent non-executive Director and a member of the Audit Committee. On 24 January 2017, Ms. Wang Fang was appointed as an independent non-executive Director and a member of the Audit Committee.

Mr. Miu Hon Kit serves as the chairman of the Audit Committee.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) to approve and adopt the audited consolidated financial statements of the Company for the year ended 31 December 2016 will be held on Wednesday, 31 May 2016. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS’ ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (“AGM”)

The Company’s register of members will be closed from Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2017.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the Company's website at www.kongsun-hldgs.com. The annual report for the year ended 31 December 2016 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

SCOPE OF WORK PERFORMED BY AUDITOR

The financial information has been reviewed by the Audit Committee and approved by the Board. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and the consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

By order of the Board
Kong Sun Holdings Limited
Liu Wen Ping
Executive Director

Hong Kong, 24 March 2017

As of the date of this announcement, the Board comprises three executive Directors, Mr. Zeng Jianhua, Mr. Liu Wen Ping and Mr. Chang Hoi Nam, one non-executive Director, Mr. Yuen Kin, and three independent non-executive Directors, Mr. Miu Hon Kit, Mr. Wang Haisheng and Ms. Wang Fang.

* *For identification purposes*