KongSun 江山

Kong Sun Holdings Limited

Stock Code : 295

2016

Annual Report

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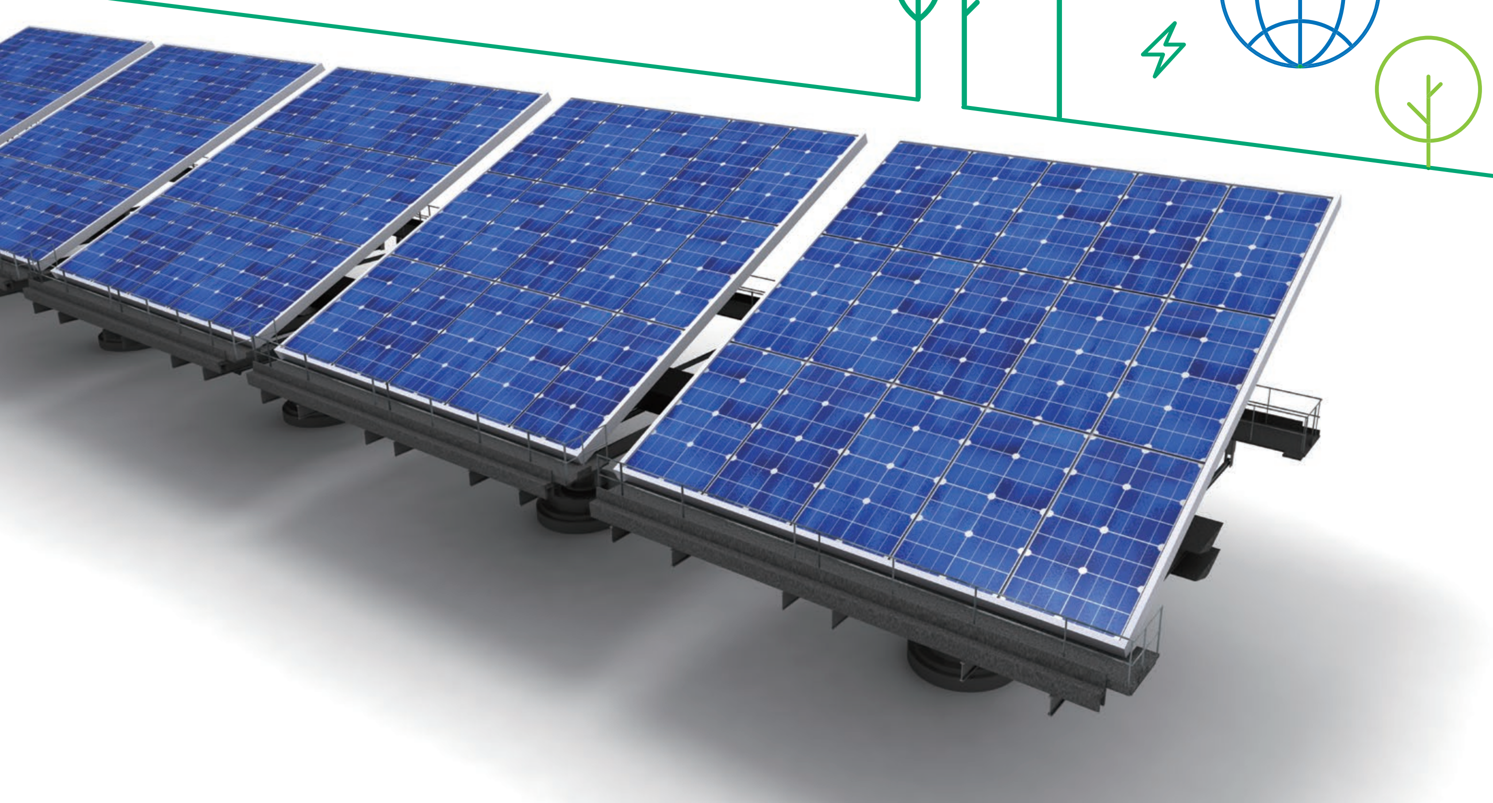


CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Zeng Jianhua *(Chairman) (appointed on 6 March 2017)*
Liu Wen Ping
Chang Hoi Nam

NON-EXECUTIVE DIRECTORS

Yuen Kin *(appointed on 24 January 2017)*
Ma Ji *(resigned on 6 March 2017)*
Chang Tat Joel *(resigned on 24 January 2017)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Miu Hon Kit
Wang Haisheng
Wang Fang *(appointed on 24 January 2017)*
Lu Hongda *(resigned on 24 January 2017)*

AUDIT COMMITTEE

Miu Hon Kit *(Chairman)*
Wang Haisheng
Wang Fang *(appointed on 24 January 2017)*
Lu Hongda *(resigned on 24 January 2017)*

NOMINATION COMMITTEE

Wang Haisheng *(Chairman)*
Miu Hon Kit
Wang Fang *(appointed on 24 January 2017)*
Lu Hongda *(resigned on 24 January 2017)*

REMUNERATION COMMITTEE

Wang Fang *(Chairman) (appointed on 24 January 2017)*
Miu Hon Kit
Wang Haisheng
Lu Hongda *(resigned on 24 January 2017)*

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
STOCK CODE	295
CONTACT INFORMATION	Tel : 3188 8851 Fax : 3186 2916 Website : www.kongsun-hldgs.com
INVESTOR RELATIONS	Email : kongsun@wsfg.hk

FINANCIAL HIGHLIGHTS

	2016 RMB'000	2015 RMB'000
Revenue	**559,959**	1,736,278
Gross Profit	**300,349**	191,150
Profit/(Loss) for the year	**54,804**	(98,994)
Earnings/(Loss) per share attributable to owners of the Company for the year		
– Basic and diluted (RMB cents)	**0.39**	(1.08)
Total non-current assets	**10,228,844**	4,929,849
Total current assets	**5,244,785**	5,477,546
Total assets	**15,473,629**	10,407,395
Total non-current liabilities	**5,231,912**	3,522,536
Total current liabilities	**3,845,078**	3,482,662
Total liabilities	**9,076,990**	7,005,198
NET ASSETS	**6,396,639**	3,402,197

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), 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 2016.

The year 2016 is the start-up year of China's "13th Five-Year Plan". A plan for the energy development, which focuses on reinforcing energy structure and improving energy quality and strives to promote the applications of photovoltaic energy and other new energy, has provided a tremendous development potential for the photovoltaic industry in a long term. As statistics provided by the National Energy Administration shows, the addition of newly installed photovoltaic capacity of China in 2016 reached 34.54 gigawatt ("GW"), while the accumulated installed photovoltaic capacity was 77.42GW, both ranking the first place in the world. According to the "13th Five-Year Plan for Energy Development" (《能源發展「十三五」規劃》), the total installed photovoltaic capacity of China will continue to increase substantially, aiming to reach 105GW by the end of 2020. The National Energy Administration also expressly stated that "105GW" represents an instructive development scale instead of a capacity maximum, demonstrating a strong confidence of the government in China's photovoltaic industry.

Backed by the supportive policies in developing a low-carbon and green economy, the PRC government determines to further promote the energy reform, optimize energy structure and accomplish the energy transformation in 2017, bringing better development and more opportunities to the photovoltaic industry. With regard to the industries and technologies, the National Energy Administration has published a "Guideline for 2017 Energy Development Work" (《2017年能源工作指導意見》). The Guideline proposes a proactive development of the solar energy and further implementation of the "Forerunner" initiative in photovoltaic power generation, which encourages benign competitions among industry peers and facilitates innovation in technology and application by leveraging high-standard technologies and efficiencies. The rapid development of China's photovoltaic power generation and the continuous expansion of installed photovoltaic capacity have been driving an overall advancement in technology and a downward adjustment in materials prices, all contributing to a reduction in photovoltaic power installation and generation cost and helping the photovoltaic enterprises to further enhance their operation efficiency and strengthen their comprehensive competitiveness.

The Group has become an investor and operator of photovoltaic power generation projects since 2014. With two-year dedication, it has developed into one of the leading players in China's solar industry. The Group currently owns grid-connected solar power station projects in the provinces of Shandong, Zhejiang, Jiangxi, Hebei, Inner Mongolia, Shaanxi, Anhui, Gansu, Xinjiang, Henan and Hubei, and several other solar power stations under development in different regions of China. In the coming future, the Group will increase its total installed capacity and power generation through projects development as well as solar power generation facilities and technologies rejuvenation, and will strive to push forward the development of new energy and make contributions to China's environmental protection and green economy.

Finally, I would like to express my sincere gratitude to all of our Directors, management and staff for their dedication and efforts in the past year, and to the shareholders and all partners of the Company for their strong supports. The Group will continue to expand and develop its business in the future to create a brighter prospect and maximize more desirable returns to its shareholders.

Zeng Jianhua
Chairman

24 March 2017, 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 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.

Management Discussion and Analysis (Continued)

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 MW
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 annual report.

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 47 to the " Notes 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 20 to the"Notes 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 18 to the "Notes 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 22 to the "Notes 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 24 to the "Notes 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:

Listed investments	% 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 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 中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.*).

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 28 to the "Notes 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 drawndown 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 34 to the "Notes 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 13 to the "Notes 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.

Management Discussion and Analysis (Continued)

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 loans of RMB153,000,000 (2015: RMB120,000,000) granted by 江山寶源國際有限公司 (Kong Sun Baoyuan International Company Limited*) ("Kong Sun Baoyuan") to independent third parties 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 parties. 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 10 to the "Notes 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 annual report, 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 annual report.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zeng Jianhua

aged 59, joined the Group on 6 March 2017. Mr. Zeng is a senior economist graduated from the enterprise management major of Hunan University with a Ph.D. degree in management in 2005. Mr. Zeng has served as the chief risk officer of China Construction Bank Corporation ("CCB") from September 2013 to February 2017. From March 2011 to September 2013, Mr. Zeng served as the chief financial officer of CCB. He served as general manager of Guangdong Branch of CCB from September 2007 to March 2011. Mr. Zeng was the head of Guangdong Branch of CCB from July 2007 to September 2007, general manager of Shenzhen Branch of CCB from October 2004 to July 2007, deputy general manager of the asset and liability management department of CCB from July 2003 to October 2004, and deputy general manager of Hunan Branch of CCB from February 1996 to July 2003.

Mr. Liu Wen Ping

aged 39, 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 over 10 years experiences in solar industry.

Mr. Chang Hoi Nam

aged 39, 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 DIRECTOR

Mr. Yuen Kin

aged 62, joined the Group on 24 January 2017. Mr. Yuen holds a Master of Business Administration degree from the University of Toronto, Canada. He is a Chartered Professional Accountant in Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has extensive experience in corporate finance, financial planning, reporting and management. He is currently an independent non-executive director of Huayi Tencent Entertainment Company Limited (HK stock code: 419), a company engaged in the provision of online and offline healthcare and wellness services, and media business with its shares listed on the Stock Exchange. Mr. Yuen is also an independent non-executive director of Lafe Corporation Limited (SGX: AYB), a company engaged in property investment, development, agency, and consultancy activities with its shares listed on the Singapore Stock Exchange. He is also an independent non-executive director of Emerson Radio Corporation (NYSEMKT: MSN), a company engaged in the design and distribution of consumer electronic products with its shares listed on The New York Stock Exchange. Mr. Yuen is also a partner of Pohua JT Private Equity Fund L.P., the controlling shareholder of the Company.

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. Mr. Miu is currently holding the position of Senior Vice President with Standard Perpetual Partners Limited, a licensed corporation with licenses granted by the SFC under the Securities and Futures Ordinance to carry on the Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities. Furthermore, he is also a director of LMN Certified Public Accountants Limited and 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, Chinese University of Hong Kong since 2013. Mr. Miu received a Master's degree in Business Administration from Imperial College London and a Bachelor of Arts in Accountancy with Honours from 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 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. Mr. Wang graduated from the Tsinghua University with a bachelor's degree and a master degree in automation.

Ms. Wang Fang

aged 45, joined the Group on 24 January 2017. Ms. Wang graduated from the Shanghai University of Finance and Economics in 1999 major in accounting, and obtained an intermediate accounting certification from the Shanghai Municipal Finance Bureau in 2003. Ms. Wang has over 24 years of experience working in finance-related matters and had acted as the financial controller and finance manager of various sizeable corporations in the People's Republic of China in the past.

SENIOR MANAGEMENT

Mr. Fung Che Wai, Anthony

aged 48, 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 24 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 (collectively referred to as the "Group") for the year ended 31 December 2016.

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 and securities investments and sale of life-like plants.

RESULTS AND DIVIDEND

The profit of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 77.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

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 page 5 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 6 to 16 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2016 are set out in note 54 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.

RELATIONSHIP WITH STAKEHOLDERS *(continued)*

The Company provides a fair and safe workplace, promotes diversity to its 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 52 to the consolidated financial statements.

Directors' Report (Continued)

FINANCIAL STATEMENTS

The financial performance of the Group for the year ended 31 December 2016 and the financial position of the Group as at that date are set out on pages 77 to 79.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2016 are set out on page 82.

DISTRIBUTABLE RESERVES

At 31 December 2016 and 2015, the Company had no reserves available for distribution.

FIXED ASSETS

Details of movements during the year ended 31 December 2016 in the property, plant and equipment, solar power plants, investment properties and lease prepayments of the Group are set out in notes 17, 18, 21 and 23 to the financial statements, respectively.

SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2016 and as at that date are set out in note 37 to the financial statements.

ISSUANCE 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 JT 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$1,500,000,000 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$1,901,567,000 (equivalent to approximately RMB1,601,688,000).

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.

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

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.

PT Pohua is the controlling shareholder of the Company and a connected person of the Company. Accordingly, the Subscription also constituted a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement and circular dated 5 January 2016 and 18 January 2016,respectively.

CONNECTED TRANSACTION

Save for the Subscription disclosed in the paragraph headed "Issuance of new shares and use of proceeds" above, the Company had no other connected transaction subsisted during the year ended 31 December 2016.

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.

SHARE OPTION SCHEME *(continued)*

(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.

(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.

SHARE OPTION SCHEME *(continued)*

(v) Maximum number of shares *(continued)*

(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.

(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.

SHARE OPTION SCHEME *(continued)*

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 2016:

Grantee	Date of grant	No. of share options outstanding as at 1 January 2016 and 31 December 2016	Exercise Price HK$	Approximate percentage of shareholding upon fully exercise of share options*
Executive Directors				
Liu Wen Ping	8 October 2014	60,000,000	1.10	0.39%
Chang Hoi Nam	8 October 2014	2,000,000	1.10	0.01%
Non-executive Directors				
Ma Ji *(resigned on 6 March 2017)*	18 June 2015	4,000,000	1.20	0.02%
Chang Tat Joel *(resigned on 24 January 2017)*	11 November 2014	2,000,000	1.16	0.01%
Independent non-executive Directors				
Miu Hon Kit	8 October 2014	1,000,000	1.10	0.01%
Wang Haisheng	8 October 2014	1,000,000	1.10	0.01%
Lu Hongda *(resigned on 24 January 2017)*	11 November 2014	1,000,000	1.16	0.01%
		71,000,000	–	0.46%
Other employees and consultants of the Group	8 October 2014	401,700,000	1.10	2.60%
Total		472,700,000	–	3.06%

* The percentage represents the number of underlying shares interested divided by the enlarged issue share capital of the Company as at 31 December 2016, 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 2016 are set out in notes 32 and 35 respectively to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2016, 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 annual report were:

Executive Directors
Zeng Jianhua *(Chairman) (appointed on 6 March 2017)*
Liu Wen Ping
Chang Hoi Nam

Non-executive Directors
Yuen Kin *(appointed on 24 January 2017)*
Ma Ji *(resigned on 6 March 2017)*
Chang Tat Joel *(resigned on 24 January 2017)*

Independent non-executive Directors
Miu Hon Kit
Wang Haisheng
Wang Fang *(appointed on 24 January 2017)*
Lu Hongda *(resigned on 24 January 2017)*

In accordance with articles 81 to 84 of the Company's Articles, at every annual general meeting, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation. Accordingly, Mr. Liu Wen Ping, Mr. Chang Hoi Nam and Mr. Miu Hon Kit will retire from office by rotation and, being eligible, will offer themselves for re-election as Directors at the annual general meeting of the Company to be held on 31 May 2017 (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 17 to 18.

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 2016.

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

As at 31 December 2016, 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 2016	Approximate percentage of shareholding upon fully exercise of share options*
Liu Wen Ping	Beneficial owner	8 October 2014	60,000,000	0.39%
Chang Hoi Nam	Beneficial owner	8 October 2014	2,000,000	0.01%
Ma Ji *(resigned on 6 March 2017)*	Beneficial owner	18 June 2015	4,000,000	0.02%
Chang Tat Joel *(resigned on 24 January 2017)*	Beneficial owner	11 November 2014	2,000,000	0.01%
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 *(resigned on 24 January 2017)*	Beneficial owner	11 November 2014	1,000,000	0.01%
Total			71,000,000	0.46%

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 2016, assuming all the outstanding share options are exercised.

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director, as at 31 December 2016, 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]
Poly Longma Asset Management Co., Ltd.* 保利龍馬資產管理有限公司	Deemed interest in controlled corporation[1]	10,363,650,000	69.26%
Shanghai Lianmi Investment Management Co., Ltd.* 上海聯米投資管理有限公司	Deemed interest in controlled corporation[1]	10,363,650,000	69.26%
Forever Bright Consultants Limited	Deemed interest in controlled corporation[1]	10,363,650,000	69.26%
Golden Port Holdings Limited	Deemed interest in controlled corporation[1]	10,363,650,000	69.26%
Pohua JT Capital Partners Limited	Deemed interest in controlled corporation[1]	10,363,650,000	69.26%
Pohua JT Private Equity Fund L.P.	Beneficial owner[1]	10,363,650,000	69.26%
China Cinda Asset Management Co., Ltd.	Deemed interest in controlled corporation[2]	7,631,865,685	51.00%
China Cinda (HK) Holdings Company Limited	Deemed interest in controlled corporation[2]	7,631,865,685	51.00%
China Cinda (HK) Asset Management Co., Limited	Beneficial owner[2]	7,631,865,685	51.00%

* For identification purposes only.

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 32% by Golden Port Holdings Limited, Forever Bright Consultants Limited owned 100% of Golden Port Holdings Limited, which in turn is owned as to 100% by Shanghai Lianmi Investment Management Co., Ltd.. Shanghai Lianmi Investment Management Co., Ltd. is 100% owned by Poly Longma Asset Management Co., Ltd.. Accordingly, each of Poly Longma Asset Management Co., Ltd., Shanghai Lianmi Investment Management Co., Ltd., Forever Bright Consultants Limited, Golden Port Holdings Limited and Pohua JT Capital Partners Limited is deemed to be interested in an aggregate of 10,363,650,000 shares held by Pohua JT Private Equity Fund L.P..

(2) China Cinda (HK) Asset Management Co., Limited is wholly-owned by China Cinda (HK) Holdings Company Limited which in turn is wholly-owned by China Cinda Asset Management Co., Ltd.. Accordingly, each of China Cinda Asset Management Co., Ltd. and China Cinda (HK) Holdings Company Limited is deemed to be interested in an aggregate of 7,631,865,685 shares held by China Cinda (HK) Asset Management Co., 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 2016.

Save as disclosed above, as at 31 December 2016, 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 2016 and as at the date of this annual 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 2016, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss amounted to approximately RMB2,761,000 (2015: RMB1,104,000).

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 2016 and remained in force as of the date of this annual report.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE 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 and transfer office in Hong Kong, 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.

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 Corporate Governance Code set forth under Appendix 14 of the Listing Rules (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.

AUDITOR

On 28 April 2016, KPMG resigned as auditor of the Company. The Board has appointed BDO Limited as the new auditor of the Company to fill the vacancy following the resignation of KPMG with effect from 25 May 2016. Save as disclosed above, there was no other change in auditor of the Company during the past three years.

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by BDO Limited, who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed to the shareholders at the AGM to re-appoint BDO Limited as auditor of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate amount of purchases (not including those which are of capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

During the year under review, the Group's five largest customers accounted for approximately 78.5% (2015: 85.4%) of the Group's total sales. The largest customer accounted for approximately 25.1% (2015: 30.7%) 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

Zeng Jianhua
Chairman

Hong Kong
24 March 2017

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 December 2016.

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 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 annual report, the Board consists of seven Directors, three of whom are executive Directors, one of whom is non-executive Director 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 Director 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 17 to 18 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.

THE BOARD *(continued)*

Chairman and Chief Executive Officer

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

During the year ended 31 December 2016, Dr. Ma Ji assumed the role of Chairman of the Board.

During the year ended 31 December 2016, the Company has not appointed a CEO, and the roles and functions of the CEO have been performed by all the executive Directors collectively.

On 6 March 2017, Dr. Ma Ji resigned as the Chairman of the Board and a non-executive Director and on the same date, Mr. Zeng Jianhua was appointed as the Chairman of the Board, the CEO and an executive Director.

Non-executive Directors

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment 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.

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.

AUDIT COMMITTEE *(continued)*

During the year ended 31 December 2016, the Audit Committee held three meetings on 8 September 2016, 10 November 2016 and 13 December 2016. The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended 30 June 2016 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.

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. During the year ended 31 December 2016, the Remuneration Committee consisted of three independent non-executive Directors: Mr. Lu Hongda, Mr. Miu Hon Kit and Mr. Wang Haisheng.

On 24 January 2017, Mr. Lu Hongda resigned as an independent non-executive Director and the chairman of the Remuneration Committee and on the same date, Ms. Wang Fang was appointed as an independent non-executive Director and 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 2016, the Remuneration Committee held one meeting on 13 December 2016.

Corporate Governance Report (Continued)

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.

During the year ended 31 December 2016, the Nomination Committee consisted of three independent non-executive Directors: Mr. Wang Haisheng, Mr. Miu Hon Kit and Mr. Lu Hongda. On 24 January 2017, Mr. Lu Hongda resigned as an independent non-executive Director and a member of the Nomination Committee and on the same date, Ms. Wang Fang was appointed as an independent non-executive Director and a member of the Nomination Committee. Mr. Wang Haisheng serves as the chairman of the Nomination Committee. During the year ended 31 December 2016, the Nomination Committee held one meeting on 13 December 2016.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, meetings of the Audit Committee, Remuneration Committee and Nomination Committee for the year ended 31 December 2016 is set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Directors:				
Liu Wen Ping	4/4	N/A	N/A	N/A
Chang Hoi Nam	4/4	N/A	N/A	N/A
Non-Executive Directors:				
Ma Ji *(resigned on 6 March 2017)*	4/4	N/A	N/A	N/A
Chang Tat Joel *(resigned on 24 January 2017)*	4/4	N/A	N/A	N/A
Independent Non-Executive Directors:				
Miu Hon Kit	4/4	3/3	1/1	1/1
Wang Haisheng	4/4	3/3	1/1	1/1
Lu Hongda *(resigned on 24 January 2017)*	4/4	3/3	1/1	1/1

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 five seminars during the year ended 31 December 2016, covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and SFO.

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 2016. 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 2016.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2016 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.

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 annual general meeting of the Company.

EXTERNAL AUDITOR *(continued)*

During the year ended 31 December 2016, 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 RMB4,100,000 (2015: RMB9,865,000) and Nil (2015: RMB3,832,000), respectively.

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 2016.

RISK MANAGEMENT AND 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 2016 and up to the date of this annual 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.

During the year under review, the Group has complied with Code Provision C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016, no significant risk was identified.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group has also adopted and implemented an inside information policy and procedures. Pursuant to which, reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- accessibility of information being restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- confidentiality agreements to be entered into whenever the Group enters into negotiations raleting to any significant investment, acquisition or disposal.
- The executive Directors being the designated persons to speak on behalf of the Company when communicating with external parties, such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

Corporate Governance Report (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Auditors

The Group has an Internal Audit ("IA") function, which consists of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via the Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its reviews and the reviews made by IA function and the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining a clear, timely and the 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 shareholdings 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.

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 kongsun@wsfg.hk.

CONSTITUTIONAL DOCUMENT

During the year ended 31 December 2016, 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: kongsun@wsfg.hk

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Since its successful business transformation in 2014 and adhering to the philosophy of "Greener Earth, Brighter Future", Kong Sun Holdings Limited (the "Group" or "We") has been dedicated in the investment business of renewable energy and committed to becoming a leader in the area of new energy capital operation.

This is the first environmental, social and governance ("ESG") report (the "ESG Report") of the Group, which summarizes and presents the sustainable development achieved by the Group in 2016, covering the period from 1 January 2016 to 31 December 2016. It is our wish to communicate effectively with our stakeholders on ESG issues through this ESG Report, so as to improve the sustainable development management system and carry out sustainable development activities. This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of Rules Governing the Listing of Securities issued by The Hong Kong Exchanges and Clearing Limited (the "HKEX") and discloses information relating to the concepts, practices and achievements of sustainable development of the Group's core business, being investment in and operation of photovoltaic ("PV") power plants during the year ended 31 December 2016, and the quantified performance of its major sustainable development indicators. In determination of the scope of this ESG Report, the Group has also addressed the concerns of its stakeholders. In addition, the ESG Reporting Guide with content index is also appended in this ESG Report to facilitate report user's reading.

Comments and suggestions regarding this ESG Report and the Group's sustainable performance are always welcome and can be sent to us via email at kongsun@wsfg.hk.

OUR GREEN CULTURE – "PROMOTING LOW-CARBON CONCEPT"

The Visions, Missions, Objectives and Values of the Group

Adhering to the philosophy of "Greener Earth, Brighter Future", the Group has determined its visions, missions, medium and long-term objectives and core values, which serve as guiding principles for our business and daily operations as well as governance matters. Aiming to "Promote the widely application of the affordable and green new energy to the general household through capital investment", the Group devoted itself to developing the new energy-driven electric power industry and making contribution to the environmental protection. It is expected that the Group will achieve its goal of "Becoming a leader in new energy capital operation and asset management areas" through the development of its core business, being the investment and operation of PV power plants. In its long-term development plan, the Group would focus on the development of its core business, with a clear objective of "Becoming a high-quality platform for professional solar power plant investment and operation in China". We also uphold the belief of "diligence and integrity" and operate with an innovative and proactive approach while "striving for excellence". Apart from bringing financial returns to investors, the Group also supports employees to achieve their personal values and provides clean electric energy to facilitate social development and environmental protection.

OUR GREEN CULTURE – "PROMOTING LOW-CARBON CONCEPT" *(continued)*

Overview of our New Energy Business

As the 21st century continues to transit global climate changes, degradation of the natural environment and sharp decline in the natural resources are becoming new issues to the social development of human beings. In view of the significant attention attached to and the high demand for development of the new energy industry around the world, the Chinese government has devoted greater efforts in supporting the investment in terms of capital, technological and manpower, on the nationwide optimization of energy consumption structure in fundamental industries, energy conservation and emissions reduction as well as the development of environmental protection business. In response to this new trend, in 2014 the Group introduced Pohua JT Private Equity Fund L.P. as a major shareholder to realize its business transformation and access the PV power sector of new energy industry. Leveraging on its strong capital base, professional management team and high caliber technical talents, the Group has proactively expanded its business in PV power generation and strived to become a leader in clean energy industry. The Group has commenced the construction of a sizeable ground mounted PV power plants in China, with the installed PV capacity over 1 gigawatt ("GW") which is expected to increase to over 3GW in the next three years and become one of the largest domestic PV power suppliers, so as to contribute to the environmental protection of the country and the world.

Sustainable Development Approach

As a leading enterprise in the clean energy industry, the Group is well aware of the importance of sustainable development. The sustainable development approach of the Group covers three major areas, green business, green operation and green care, involving the operation and maintenance of PV power business, daily operation and management, staff support and community contribution. By adhering to such approach, we committed ourselves into environmental protection so as to improve the quality of life of urban and rural residents. Meanwhile, we also increase our support and protection to our staff and create a better living and working environment for them. Leveraging on our influence in the industry, we also proactively promote community harmony and make contribution to the community.

Stakeholders Engagement

We have been adhering to our belief that the effective engagement and continuous support of the stakeholders are of paramount importance to the long-term success of the Group. The Group has developed various channels for stakeholders to express their views and suggestions on the sustainability performance and future development strategies of the Group. Moreover, in order to enhance the mutual respect and trust between the Group and its stakeholders, the Group has committed to establish a stakeholder engagement system via formal and informal channels to ensure the business strategies of the Group conform with the requirements and expectations of the stakeholders, and any risks associated with participation can be foreseen in a timely manner, so as to strengthen the relationship with the stakeholders.

Stakeholders of the Group are from different aspects and levels, including the employees, shareholders, business partners and suppliers of the Group, government regulators, non-governmental organizations and local communities. Opinions and suggestions from various stakeholders formed the underlying basis of this ESG Report.

OUR GREEN FOOTPRINT – "COMMITTED TO PHOTOVOLTAIC POWER"

Milestones

2014

- Introduced Pohua JT Private Equity Fund L.P. as the major shareholder which contributed HK$2.34 billion in cash. **The principal business has been transformed into the investment in and operation of PV power stations**
- Acquired 3 PV power station projects, **facilitating the Group's tapping into the PV power generation business**

2015

- In April, the Company completed the placing of 352,000,000 new shares at the placing price of HK$1.07 per share with the net proceeds of approximately HK$365 million (equivalent to approximately RMB289 million)
- In June, the Company completed the placing of 1,144,700,000 new shares at the placing price of HK$1.20 per share with the net proceeds of approximately HK$1.33 billion (equivalent to approximately RMB1.05 billion)

2015

- **Expedited the pace of acquisition and commencement of operations of PV power stations**
- Acquired PV power station projects in regions such as Inner Mongolia, Xinjiang, Gansu, Anhui and Hebei. The total installed capacity reached 469.55 MW at the end of the year

2016

- In March, the Company completed the issue of 5,177,000,000 new shares to Pohua JT Private Equity Fund L.P. at the price of HK$0.66 per share with the net proceeds of approximately HK$3.4 billion (equivalent to approximately RMB2.9 billion)

2016

- By acquiring PV power station projects in Inner Mongolia, Shaanxi, Hebei, Anhui, and building PV power station projects in Henan, Hubei, Jiangxi, Jiangsu, Shandong, Gansu and Xinjiang, the total installed capacity reached 1,150.3MW at the end of the year

OUR GREEN FOOTPRINT – "COMMITTED TO PHOTOVOLTAIC POWER" *(continued)*

Annual Emissions Reduction Contribution

As at 31 December 2016, the Group had 36 grid-connected PV power stations in total with total installed capacity of 1,150.3MW, covering 11 provinces of China. The number of power stations, annual power generation capacity and annual contribution in emissions reduction are set out as follows:

Province	Number of PV power stations	Annual actual total power generation capacity (MWh)	Annual contribution of greenhouse gas emissions reduction* (tonnes)
Xinjiang	11	180,871	142,581
Gansu	4	96,553	76,113
Inner Mongolia	2	64,085	57,721
Shaanxi	5	205,223	161,777
Henan	1	7,220	5,784
Hebei	2	57,399	51,699
Shandong	1	19,179	17,275
Anhui	5	54,507	41,262
Hubei	1	3,384	2,711
Jiangxi	2	58,314	46,715
Zhejiang	2	92,202	69,797
Total	36	838,937	673,435

* Greenhouse gas ("GHG") emissions data is presented in carbon dioxide equivalent and was calculated based on the reporting requirements of 2015 Baseline Emission Factors for Regional Power Grids in China (《2015年中國區域電網基準線排放因子》) issued by the Clean Development Mechanism in China.

In addition, as at 31 December 2016, the 5 PV power stations under construction with the total installed capacity of 430MW and the estimated contribution in emissions reduction of the Group are set out as below:

Province	Number of PV power stations	Estimated generation of electricity in the first year after grid-connection (MWh)	Estimated annual contribution of greenhouse gas emissions reduction* (tonnes)
Shaanxi	3	549,130	432,879
Hebei	1	43,960	35,216
Shandong	1	71,380	64,292
Total	5	664,470	532,387

* GHG emissions data is presented in carbon dioxide equivalent and was calculated based on the reporting requirements of 2015 Baseline Emission Factors for Regional Power Grids in China (《2015年中國區域電網基準線排放因子》) issued by the Clean Development Mechanism in China.

OUR GREEN FOOTPRINT – "COMMITTED TO PHOTOVOLTAIC POWER" *(continued)*

Annual Industry Qualification and Awards

The pursuit and development of the Group in PV industry sector has gained supports and recognitions by the authoritative organization and professional platforms in the industry. The qualifications and awards obtained by the Group during the year ended 31 December 2016 are as follows:

Awards	Issuing Authority	Time and location of the award
Member Qualification Certificate of the Chinese Photovoltaic Industry Association (中國光伏協會會員資格證書)	Chinese Photovoltaic Industry Association	January 2016·Beijing
The 8th place of Investment Brand Value Award for the Photovoltaic Power Stations (光伏電站投資品牌價值獎第八名)	Century New Energy Website (世紀新能源網)	April 2016·Shanghai
The 6th place of 2016 Top 20 Investment Enterprises of Photovoltaic Power Station in China (2016中國光伏電站投資企業20強第六名)	PVP365 Photovoltaic Power Station Ecosystem Platform (PVP365光伏電站生態系統平台)	May 2016·Shanghai
Renewable Energy Professional Member Qualification Certificate of the China Association of Circular Economy (中國循環經濟協會可再生能源專業會員資格證書)	China Association of Circular Economy	September 2016·Beijing
2016 Excellent Developer and Investor of Power Station Award (2016年優秀電站開發投資商獎)	Solarbe Solar Energy Photovoltaic Website (Solarbe索比太陽能光伏網)	November 2016·Wuxi
2016 Top 50 Innovative Corporate Award of Photovoltaic Industry (2016年光伏行業最具創新力企業50強)	China Photovoltaic Industry Website (中國光伏產業網)	November 2016·Shanghai

GREEN BUSINESS – "CONTRIBUTING CLEAN ENERGY"

Strict Compliance with the Laws and Regulations

The Chinese government has devoted greater efforts in supporting the investment on energy conservation, emission reduction and energy structural adjustment; meanwhile, it has also promoted stringent and thorough legislations on new energy and renewable energy projects. The PV power generation business of the Group has strictly complied with the laws and regulations promulgated by the State, such as the Environmental Protection Law (《環境保護法》), Electric Power Law (《電力法》), the Energy Conservation Law (《節約能源法》), the Renewable Energy Law (《可再生能源法》), the Administrative Provisions on Renewable Energy Power Generation (《可再生能源發電有關管理規定》), Standardized Practices for the Safety Production in Photovoltaic Power Generation Enterprises (《光伏發電企業安全生產標準化創建規範》) and Working Procedures for the Electricity Safety (《電力安全工作規程》) etc., covering all aspects of its PV power stations from design, construction, inspection and delivery, operation and maintenance to safe construction, so as to implement the environmental protection, water and soil conservation, pollution control of the area where the projects located; energy and natural resources conservation during production process; safety and health protection of the project personnel, etc.

Professional Team

The Group has a team consisted of highly professional leaders and technical experts in PV power generation business.

The management of the Group has profound knowledge and abundant experiences in PV industry research, PV power station construction and investment analysis. Under their professional guidance, the Group not only owns competitive edges in research, but also equips with industrial standards of leading technology and advanced practices, all enabling the Group to keep abreast with the industrial trends in terms of the application of high efficiency and low cost solar cell technology, manufacturing, installing, safe cleansing and production practices of PV power generation equipment, and providing lasting and profound guiding impacts to the investment and operation of PV power station.

In addition, the Group has designated professional technicians at each PV power station to provide guidance and supervision, ensuring the construction and operation processes of the power station strictly comply with all laws and regulation of the State and proceed in a safe, standardized and effective way. All production staff at the power station, such as high-voltage electrician, dispatching system administrators and safety administrators are all holding qualifying Work License (《上崗證》) and Qualification License (《資格證》) etc. and have extensive experiences in related posts. Leveraging on its talented team, the Group has been actively exploring opportunities in clean energy industry and enhancing its production efficiency, creating a sustainable model for future development.

Business Partners

The Group is engaged in the investment in the PV power stations, where a project team that has maintained long-term partnership with the Group is responsible for coordinating the construction and development of the power station. The team has years of experiences in the design, procurement and Engineering Procurement Construction ("EPC") of the PV power stations. After prudent inspection and research, the Group believes that the project team has highly specialized skills and has been a leader in PV power generation industry for quite a long time, which provides a complementary strength to the Group's investment business in PV power station. By partnering with the project team, the Group is able to expand its business, enrich its project reserves and diversify its new energy business in a professional way. Moreover, it could further consolidate and optimize its existing technological strengths, thereby enhancing the power generation efficiency and operation lifecycle, so as to expand its development potential in clean energy segment and make long-term and sustainable contribution to its environmental protection commitment.

GREEN BUSINESS – "CONTRIBUTING CLEAN ENERGY" *(continued)*

Selection of the Suppliers

The Group is committed to complying with relevant laws and regulations during its operation, and expects its suppliers to uphold integrity and fairness in treating their employees and complying with disciplinary codes. The Group has formulated the Supplier Management Procedures (《供應商管理程序》) to standardize its supplier management in bidding and procurement aspects, so as to effectively control and utilize the suppliers' resources, evaluate and manage the suppliers' access and opt-out procedures in a quantitative and dynamic way. The procedures also aim to establish a scientific and objective assessment mechanism, in which the Group may develop high quality supplier resources and maintain a long-term and stable relationship with the suppliers, thereby providing a solid foundation for a quality and efficient bidding and procurement process. In the above procedure documents, the Group also sets out its fundamental requirements for suppliers in terms of upholding integrity in operation, fair treatment to their employees and compliance with all applicable laws and regulations. The Group will blacklist any supplier violating the laws and regulations during its performance of the contract and terminate its cooperation.

Under the guidance of the Supplier Management Procedures, the Group has formulated a set of forms, setting out supplier nomination procedures, qualification review and rating system, assessment system for supplier's contract performance and supplier's appeal investigation mechanism, etc, which enable us to quantify the assessment and standardize the management during supplier selection and cooperation. The examples of our supplier management practices and standards are as follows:

- In the preliminary review of the selection of our suppliers, in addition to the detailed investigation and record of the basic profile and business nature of the suppliers, the Group will also require the suppliers to provide a set of qualification documents and verify such qualifications, and set scoring criteria for each qualification document. Apart from reviewing basic documents such as "Business License", "Safe Production License", bank credit certificate and financial information, the Group will also include into its scoring system additional criteria, such as, whether the suppliers have obtained qualified certificates like "ISO9001 Quality Management System Certification", "ISO14001 Environmental Management System Certification", "OHSAS18001 Occupational Health and Safety Management System Certification" and whether the suppliers have extensive experience in similar projects, so as to ensure that the suppliers have sufficient devotion in product quality, environmental protection, energy saving, emissions reduction, occupational safety and health.

- In addition to document review and scoring, the Group will also conduct site visits to certain suppliers, for instance, in respect of the goods suppliers, the Group will conduct on-site sampling inspection to ensure that its production equipment is up to the standard, its staffs are well-equipped and its production process and products are satisfied with national quality standards.

- In respect of the contract performance of the engineering suppliers, the Group supervises and evaluates its suppliers from various aspects such as internal management, quality management, schedule management, cost management and safe and civilized production, and makes written assessment records as the evaluation of the overall performance of the suppliers.

- The Group attaches importance to uphold the human rights and labour rights in its supply chains and will not tolerate any employment of child labour and forced labour, and expects the suppliers to follow such practice as well.

GREEN BUSINESS – "CONTRIBUTING CLEAN ENERGY" *(continued)*

Green Planning – Investigate and Research on PV Power Plant Project

In the early stage of a PV power plant project, the Group organizes a team of experts to fully investigate and research on the project design and project site, and prepares a "Project Feasibility Study Report" (《項目可行性研究報告》). The report not only includes design information of the power stations such as solar energy resource analysis, engineering geological analysis, civil engineering design, overall program design and power generation capacity calculation, but also includes information focusing on the geological disaster prevention, environmental protection and conservation design of soil and water at the selected site, energy saving and consumption reduction analysis as well as information concerning the labour safety and hygiene of the project staffs. Through in-depth investigation and prudent analysis, it is ensured that the project is of safe construction conditions and high degree of feasibility, and its impacts on the local environment and natural resources are under effective control.

Apart from the concerns in relation to the environment, resources and personnel safety and health as set out in the "Project Feasibility Study Report", the project team will conduct investigation and research and issue documents such as "Report of Construction Project's Environmental Impacts" (《建設項目環境影響報告表》), "Report of Project Safety Evaluation" (《項目安全預評價報告》) and "Report of Soil and Water Conservation Program" (《水土保持方案報告書》) upon the requests of local government authorities. The research aims to be complete, comprehensive and rigorous in order to ensure the project construction would meet the following relevant national standards:

The noise generated by project construction shall strictly complied with Category II standards of "Noise Limits for the Boundary of Construction Site" (《建築施工場界噪聲限值》)(GB12523-90), "Environmental Quality Standard for Noise" (《聲環境質量標準》)(GB3096-2008), and Category III standard of "Emission Standard for Industrial Enterprises Noise at Boundary" (《工業企業場界環境噪聲排放標準》)(GB12348-2008) and shall not affect the normal work and life of the residents in the surrounding area.

The pollutant emission arising from project construction shall strictly complied with Level 2 standard of "Ambient Air Quality Standards" (《環境空氣質量標準》) (GB3095-1996), Level 2 standard on new pollution source of "Integrated Emission Standard of Air Pollutants" (《大氣污染物綜合排放標準》) (GB16297-1996), Level 3 standard of "Integrated Wastewater Discharge Standard" (《污水綜合排放標準》) (GB8978-1996) and "Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes" (《一般工業固體廢物貯存、處置場污染控制標準》) (GB18599-2001). As to the discharge of pollutant like sewage generated by the activities of project staffs, relevant disposal plan has been formulated, i.e recycling measures such as "after pre-treatment in septic tank, the sewage will be directly transferred back to the sewage treatment plants located near the new energy production areas through pipelines, be used in fertilizing trees in the park rather than discharging even it meets relevant standards".

We will not commence the project construction until the above-mentioned reports and documents were approved by the relevant government authorities. During the project construction and operation, the Group will also conduct close and long-term monitoring over the impacts of business activities and staff activities on the environment and natural resources.

GREEN BUSINESS – "CONTRIBUTING CLEAN ENERGY" *(continued)*

Green Engineering – Construction, Acceptance, Operation and Maintenance of PV Power Plant Project

The construction, the acceptance until successful connection to power grid, and the process of subsequent operation and maintenance of PV power plant are key concerns of the Group's PV power generation business. In view of these, the Group has formulated a set of guidelines on quality standards, e.g the Corporate Standards and Quality & Safety (QS) Catalogue (《企業標準及質量安全圖冊》), which includes "Design Standards for Ground-mounted Grid-connected PV Power Plants" (《地面併網光伏發電站設計規範》), "Construction Standards for Ground-mounted Grid-connected PV Power Plant" (《地面併網光伏發電站施工規範》), "Acceptance Standards for of Ground-mounted Grid-connected PV Power Plants" (《地面併網光伏發電站驗收規範》), "Operation and Maintenance Standards for Ground-mounted Grid-connected PV Power Plants" (《地面併網光伏發電站運營維護規範》), "Safe and Civilized Construction Catalogue for the New Energy" (《新能源安全文明施工圖冊》) and "Technical Indicators for Quality and Safety" (《質量安全技術指標》), based on the ordinances and regulations issued by the State including "Construction Standards of PV Power Generation Projects" (《光伏發電工程施工規範》) (GB50794-2012), " Acceptance Standards of PV Power Generation Projects" (《光伏發電工程驗收規範》) (GB50796-2012), "Technical Requirements for Grid Connection of PV System" (《光伏系統併網技術要求》) (GB/T19939) and "Operation and Management Standard for AC High-Voltage Switchgear" (《交流高壓開關設備運行管理規範》).

The above guidelines introduced detailed requirements on the operational standards and safety matters covering the areas of project construction, acceptance, operation and maintenance of the project, including the installation and testing standards of PV equipment, fire engineering and management, anti-corrosion engineering design, environmental protection, soil and water conservation during the project construction, safety and occupational health and civilized construction.

As to the environmental protection and soil and water conservation during the construction, acceptance and operation and maintenance process, the Group's requirements are as follows:

Construction

- The noise pollution control process during the construction shall comply with the "Emission Standard of Environment Noise for Boundary of Construction Site" (《建築施工場界環境噪音排放標準》) (GB12523-2011) to monitor and control noise generated from each construction phase; in the event that the noise generated by construction machines exceeds the limit, such machines are not allowed to keep operating; in the event that the noise generated by the construction machines during the night time construction causing noise nuisance, no operation would be allowed at night.

- As to the control of liquid waste, dust and solid waste pollutant arising from the construction, such as waste oil produced from the construction shall be recycled by using waste oil barrels, and waste production tools like gloves shall be discarded according to relevant regulations, and are strictly prohibited from direct incineration. In the dust pollution areas, measures like spraying water on and cleaning the construction road are taken to suppress the dusts at the construction site. In accordance with the relevant requirements setting out in the "Prevention and Control of Environment Pollution Caused by Solid Wastes" (《固體廢物污染環境防治法》), solid wastes generated during the construction shall be stored after classification and processed pursuant to relevant requirements; construction wastes and garbage should be promptly cleared; toxic and hazardous wastes must be transported to waste treatment center specializing in disposing toxic and hazardous waste for processing, and direct landfilling is prohibited.

GREEN BUSINESS – "CONTRIBUTING CLEAN ENERGY" *(continued)*

Green Engineering – Construction, Acceptance, Operation and Maintenance of PV Power Plant Project *(continued)*

Construction *(continued)*

- Soil and water conservation measures during the construction include: avoiding damage to natural vegetation causing from large-scale site formation at the PV power plants; minimizing the cement ground area; and using natural drainage on site drainage and road drainage.

- During the construction process, the power station should also conduct greening work depending on its actual situation to restore the original vegetation as far as possible if such vegetation is in a good situation and to plant roadside trees if the original vegetation coverage of power station is poor.

- In addition to the construction area itself, the Group is also concerned about the soil and water conservation and greening work of outside the construction area, such as actively planting trees near the PV power plant area where it suffers from strong sandstorm.

Acceptance

- In the acceptance of PV power stations, apart from the evaluation of project integrity, safety indicator and power generation efficiency, the Group also focuses on its greening condition. The acceptance of greening project should strictly follow the initial design standards and relevant requirements in the construction standards. The greening work and vegetation restoration within and outside the plants should fullfil the design requirements. Documents and information, such as design drawings, design amendments, construction records, quality control, shall be kept intact.

Operation and Maintenance

- During the process of power station operation and maintenance, the Group also seeks to implement its environment protection concept through endorsing effective measures. For examples, the Group may face water shortage in cleaning the PV solar panels in regions where water resource is scarce. To address this issue, the Group plans to explore and introduce "Dry Cleaning" technology, such as utilizing advanced technology like dry cleaning robots to facilitate solar panel cleaning process. The Group will identify the most efficient solution based on the actual situation of the power stations, and take factors such as environmental impacts, resource consumption, manpower and equipment costs into overall consideration.

The aforesaid measures enable the Group to achieve its expected objectives of environmental protection and resource preservation during the process of PV power station operation and maintenance. Apart from business expansion, the Group has also undertaken responsibility in environmental protection and made contribution without any hesitation.

GREEN BUSINESS – "CONTRIBUTING CLEAN ENERGY" *(continued)*

Innovative Operation – Realizing Synergies

Since the Group started to penetrate its footprint into the PV power industry in 2014, by leveraging on policy supports, financial strengths and technological advantages, our business model has gradually evolved and become mature. However, we have not slowed down our paces. Instead, we proactively explore more possibilities, not only placing emphasis on business expansion, but also focusing on business model innovation. The Group keeps abreast with the industry trends, and actively participates in projects of "agricultural-photovoltaic complementary" (「農光互補」) and "fishery-photovoltaic complementary" (「漁光互補」), in order to pursue synergies and create a win-win situation for the PV power industry, the agriculture industry and the fishery industry.

Photovoltaic agriculture and photovoltaic fishery are major breakthroughs on China's PV applications, and have become future development trends and focuses. The National Energy Administration published "Notice of Further Implementation Relevant Policies on Distributed Photovoltaic Power Generation" (《關於進一步落實分佈式光伏發電有關政策的通知》) in 2014 to encourage PV power generating companies to carry out various applications of distributed PV power generating.

The Group has also proactively responded to the calling of policies, undertaken site visits and carried out project feasibility study during power stations acquiring and preliminary planning of power station construction. It has devoted its technological innovation capabilities in full swing, and seeks to utilize lands that have not been designated for agricultural purposes under government's planning, wasteland, degenerative hills and slopes, agricultural greenhouses, mudflats and fishponds for the construction of distributed PV power stations for local consumption. Through the application of "conducting clean power generation on the panels, carrying large-scale plantation/aquaculture off the panels", the Group has commenced agricultural and fishery projects that are adaptable to the local condition. For example, it has utilized condensation water under the photovoltaic panels to grow shade-loving and cold-resisting economic crops, which helps realizing all-rounded land usage and maximizing the land efficiency. It has also made efforts on improving the quality of water and soil so as to prevent land erosion, on increasing agricultural incomes and creating local employment opportunities, and further integrating its power generation business into poverty alleviation project, new countryside construction and agricultural facility refinement, thereby facilitating new countryside development and improving the livelihood of rural residents.

GREEN OPERATIONS – "TOGETHER WE STRIVE TO SAVING ENERGY AND REDUCING EMISSION"

Apart from its devotion to developing green business, the Group also encourages each employee to maintain an environmental awareness of protecting the environment and treasuring the natural resources, and incorporate this green concept thoroughly into every step of the operation, from production to office operations. By means of implementing numerous energy saving and emission reduction measures, such as reducing electricity consumption, water conservation, reducing paper use and proper waste management, the Group can minimize the impacts of operation activities on the environment and natural resources. Moreover, through developing information-based office tools, optimizing personnel management to create green office environment, it has motivated employees to devote efforts in environmental protection campaign and to stick to the calling of "Starting Environmental Protection with Own Actions". All of these efforts help to facilitating our green operation in every aspect.

GREEN OPERATIONS – "TOGETHER WE STRIVE TO SAVING ENERGY AND REDUCING EMISSION" *(continued)*

Reducing Electricity Consumption

Electricity consumption accounts for a major component of carbon emissions in the course of the Group's operation. The Group has adopted the following energy conservation measures in each office and the office area of the power stations:

- To install high energy-efficient electronic equipment, and consider its energy labels before the model selection, preferably those Grade 1 or Grade 2 energy labels;

- To adopt automatic lighting management system and install energy-saving light bulbs, and if possible, fully utilize daylight as well;

- To set the air-conditioning temperature at an energy-saving level, preferably at 24°C – 26°C; meanwhile, to clean the air-conditioning filters on a regular basis so as to maximize the cooling efficiency;

- To switch off idle lighting and energy consuming devices; to set the personal computers into sleep mode instead of screensaver; to unplug the electronic appliances such as coffee machine and microwave oven before switching off the office power supply for the rest days and holidays; and

- To replace business trips with conference calls or e-mails if possible.

Saving Water

Water, the origin of life, is also the lifeblood of industry and cities. In recent years, with the rapid development of the State's economy, production scales in different industrial and agricultural sectors are increasingly expanding and people's living standards have been continuously improved, all resulted in increasing demand for water resource. However, being as a scarce resource, the limited fresh water resource may restrict the social development of human beings. The Group has profound understanding that water resource is a strategic resource for its business development and operation and is devoted to implementing various measures to achieve water saving, purification and recycling during the normal operation, aiming to strictly avoid the water waste.

The Group has utilized water saving equipment and products as preferential choices in the office area. For example, we have used dual flush cistern for the toilets to enhance water efficiency, and will continuously monitor the quality of water equipment, such as carrying out regular leakage tests on piping, checking for defects or damages for timely repairs if any problem is identified; reading the water meters regularly and checking for hidden leakages. In addition to such water-saving practices, the Group has also spared efforts on enhancing water-saving education and awareness among employees.

GREEN OPERATIONS – "TOGETHER WE STRIVE TO SAVING ENERGY AND REDUCING EMISSION" *(continued)*

Reducing Paper Consumption

As it is said that "Each drop of water shall be valued as gold, while each piece of paper be treasured as silver", and noting that paper comes from forest which is an important natural resource of the nation, treasuring paper is protecting forest resources. Adhering to the philosophy of reducing paper consumption, the Group has adopted the following measures:

- To avoid using excessive wrapping papers and decorations;
- To promote the use of electronic communication technologies for the release of announcements, reports of matters, advice seeking and feedback and to use e-mails instead of faxing or mailing whenever possible;
- To use electronic systems for file documentations;
- To promote a principle of "think before you copy". Consider sharing documents with co-workers and only print the number of copies in need for the meeting to avoid excessive copies; and
- To use "paper from responsible sources" (FSCTM C022951) when printing annual and interim reports of the Group.

Waste Management

The Group has valued the importance of waste management and adopted following measures to properly handle recyclable and unrecyclable wastes:

- To use waste separation bins to sort the recyclable wastes;
- In terms of office supplies, to encourage employees to use pen refills and reuse the pen holders instead of replacing the whole pen;
- To replace all disposable items such as cups and wooden chopsticks with non-disposable items such as ceramic mugs and reusable cutlery; and
- To encourage employees to participate in environmental protection campaigns in relation to air pollution prevention, food waste, green procurement, green environment etc. by organizing training and workshops.

By means of abovementioned measures, the Group has achieved green operation and management at workplace, meanwhile, it also takes initiative in reviewing the effectiveness of these measures, so that it would introspect and make remedial measures on a timely basis. In the coming future, the Group will further explore and implement efficient measures on energy saving and emission reduction, and invest more efforts on promotion its philosophy in environmental protection, so as to bulid a green homeland with its staff.

GREEN CARE – TOGETHER WE CREATE A BETTER FUTURE

Care for our Staff

The Group considers its staff as important assets. In accordance with the principles setting out in laws and regulations such as Labor Laws, Labor Contract Law and the Employment Ordinance, the Group has prepared and implemented a set of rules and regulations, including Staff Handbook (《員工手冊》), Recruitment Management Policy (《招聘管理制度》), Resignation Management Policy (《離職管理制度》), Attendance Management Policy (《考勤管理制度》), Performance Management Policy (《績效管理制度》), Training Management Policy (《培訓管理制度》) and Remuneration Management Policy (《薪酬管理制度》). The Group has always been caring the well-being of its staff in all aspects, not only safeguarding their rights and interests, protecting their physical and mental health and safety, but also making efforts in talent development, valuing work-life balance and maintaining a fair and integrity working environment.

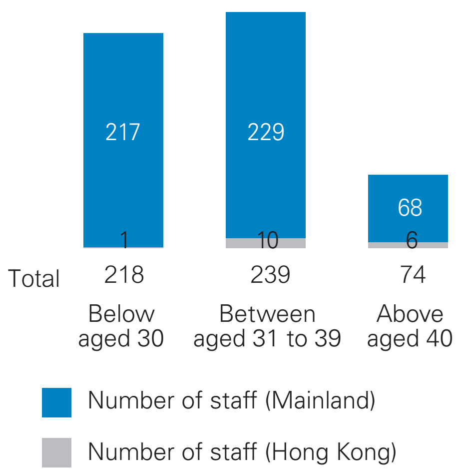
- **Recruit Talents**

  The Group recruits talents in a wide range and warmly welcome talented and ambitious people to join us. To cope with the increasing expansion of our business, the Group recruits talents via various channels including company website, recruiting websites, recruitment agencies, career fairs in colleges and universities, industry forums and social media platforms.

  As an employer providing equal opportunities, the Group offers equal opportunities and remuneration packages to all applicants and its staff, regardless of their gender, age, race, ethnicity, nationality, religion belief, marital status, sexual orientation, gender labels, gender expression, qualifications, health and mental conditions.

  The Group also allows internal transfers for employees to voluntarily choose positions that align with their interests and career plans and acquire new experiences, knowledge and skills from new positions.

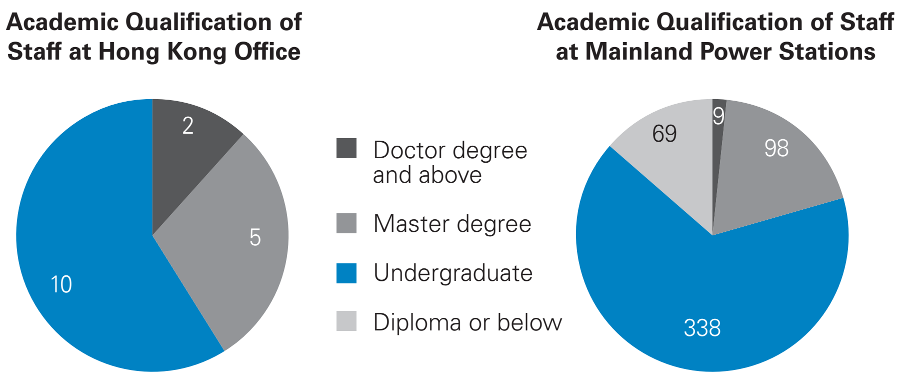
  As at 31 December 2016, the Group employed 17 and 514 full-time employee in its Hong Kong office and the operation of Mainland PV power stations, respectively. The total number of employees by the age group is as follows:



GREEN CARE – TOGETHER WE CREATE A BETTER FUTURE *(continued)*

Care for our Staff *(continued)*

- **Recruit Talents** *(continued)*
  The Group considers good education and qualifications of the staff as one of its core values. As at 31 December 2016, the breakdown of the total number of employees in its Hong Kong's office and Mainland PV power stations by the academic qualifications is as follows:



- **Safeguard the Interest of Our Staff**
  The Group has strictly complies with the requirements of the Sex Discrimination Ordinance (《性別歧視條例》), Disability Discrimination Ordinance (《殘疾歧視條例》) and Family Status Discrimination Ordinance (《家庭崗位歧視條例》), which provide equal opportunities in the matters such as recruitment, trainings, promotion, transfer, remuneration, benefits and contract termination. Such opportunities will be offered regardless their age, gender, race, ethnicity, nationality, religion belief, marital status, sexual orientation, gender labels, gender expression, qualification and health and mentality conditions. If there is any suspicious breach of the above Ordinances, the staff should report to the supervisors (up to the level of the Board) by proper organizational procedure, the organizational department receiving such report is responsible for investigating and taking remedial actions.

  The Group has strictly complies with the laws and regulations concerning the employment, such as Labor Laws and Employment Ordinance to provide all of its staff with statutory welfare and security, such as the "Five Insurance & One Fund" (五險一金) in social security scheme, being the pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing fund, as well as and paid leaves. Apart from these, the Group also provides on-the-job staff with general allowances in supporting their work, including communication allowance, lunch allowance and holiday allowance according to Regulations on Allowance Management (《津補貼管理規定》).In terms of special positions or special situations such as business trips or non-local assignments, the Group also offers special allowance, including arduous allowance, technical allowance, (non-local) assignment allowance and travel allowance etc.

GREEN CARE – TOGETHER WE CREATE A BETTER FUTURE *(continued)*

Care for our Staff *(continued)*

- **Value Safety and Health**

  The Group has adhered to the principle of "Safety First, Prevention-oriented and Comprehensive Governance" in the operation of its power plants and daily office operation. Aiming to ensure safe operation on every aspects of the project, we have formulated the Safety Production Policy (「安全生產制度」) as its safety operation guidelines for its staff to follow, which includes 41 written rules and regulations such as the Production Safety Accountability Policy (《安全生產責任制》), Potential Accident Investigation and Management Policy (《事故隱患排查治理制度》), Hazardous Operation Approval Policy (《危險作業審批制度》) and Activity Management Regulations for the Team Safety Day (《班組安全日活動管理規定》). Such policies are formulated in accordance with the principles setting out in the laws and regulations relating to a series of legal and regulatory documents such as Production Safety Law (《安全生產法》), the Measures on Supervision and Administration of the Work Safety of Electricity Industry (《電力安全生產監督管理辦法》), Basic Practices for Standardizing the Safety Production (《企業安全生產標準化基本規範》) and Standardized Practices for the Safety Production in Photovoltaic Power Generation Enterprises (《光伏發電企業安全生產標準化創建規範》).

  "Prevent Risks and Prepare in Advance"
  Given the Group's business involves jobs of high risk such as engineering surveying, operation of concrete mixer, scaffolding operation, electrical engineering operation, lifting operation, welding operation and driving motor vehicles, the Operation and Maintenance Department of the Group has set up a sub-department over the the quality and safety issues, so as to closely monitor and supervise the working process of power station projects. Workers are given safe production education and trainings in accordance with various vocational health and safety protection measures of the Group to ensure the production process is implemented in a standardized and safe way.

  In addition to the precautionary measures, the Group is well aware of the importance of emergency and contingency measures.

  "Emergency Mechanism"
  The Group has required departments of all levels to establish sound and top-down safe production and administrative bodies and emergency mechanisms to arrange and coordinate emergent and administrative matters. Each power generation station should formulate an overall emergency plans, special emergency plans, emergent response solutions and measures targeting key and high-risky positons and be equipped with professional emergency teams. In addition, the Group has required each power generation project to conduct a regional safety drill for composite production accidents at least once a year.

  For the year ended 31 December 2016, the Group has strictly complied with all the laws, rules, regulations and procedure standards and has not identified any serious work-related injuries.

- **Investment in Talent Development**

  Talents development is an integral part of the Group's human resources strategy. The Group deeply understands that the knowledge and skills of employees are of utmost importance to the operation and business growth of the Company. A well-planned career path may also prepare the employees for future business challenges.

GREEN CARE – TOGETHER WE CREATE A BETTER FUTURE *(continued)*

Care for our Staff *(continued)*

- **Investment in Talent Development** *(continued)*

  The Group has formulated written guidelines and a set of forms such as the Training Management Policy (《培訓管理制度》) and Training Policy for the Production Safety (《安全生產教育培訓制度》). Staff trainings, which include internal and external trainings covering induction trainings for new employees, middle-level and senior management trainings, trainings for internal trainers and external courses; and skill trainings and safety operation trainings for the project workers, will be organized based on the Group's actual situation and demands for talents in a planned and targeted way.

  For the year ended 31 December 2016, the Group's total investment amount at the staff level was one of the highest in the industry. The Group will also put significant investment effort in the future.

  For the year ended 31 December 2016, the Group has organized the following training programs:

Category of Training Programs	Training Targets	Name of Training Programs
Leadership Training	**Middle-level and senior managements**	• Executive Master of Business Administration (EMBA) • Analysis and Discussion on Business Process • Discussion on Confidentiality and Information Disclosure • How to Become an Attractive Leader
General Trainings	**Staff of CEO Office**	• Training on Document Management System • Training on Handling Official Document Measures • Training on Meeting Management Measures • Training on Fixed Asset Management System

GREEN CARE – TOGETHER WE CREATE A BETTER FUTURE *(continued)*

Care for our Staff *(continued)*

- **Investment in Talent Development** *(continued)*

Category of Training Programs	Training Targets	Name of Training Programs
Professional and technical trainings	Staff of assets operation department	• Training on related systems and policies • Training on office software • Training on trading structure and design
	Existing staff and new joiner	• Orientation for new joiners • Training on the work-related pressures and emotion management • Training on fire control and value the life • Training on staff health management • Compulsory courses
	Staff of power station	• Training on EPC technical requirements • Training on estimated indicators for output line engineering • Introduction and training on single shaft bracket products • Training on contingent measures • Training on PV application on the data room
	Staff of legal department	• Training on overseas M&A matters • Overview on the PPP regulations in China
	Staff of Auditing Department	• Training on civilized auditing management methods • Training on discipline regarding to auditing confidentiality

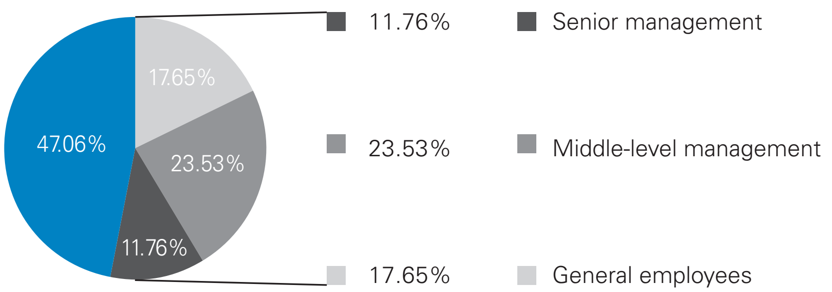
The human resources department of the Group has designated personnel to be responsible for the training duties, covering the formulation of the training details; management of the training budgets and costs; assistance in selecting, training and managing internal trainers; and management of the employees' training profiles etc.

GREEN CARE – TOGETHER WE CREATE A BETTER FUTURE *(continued)*

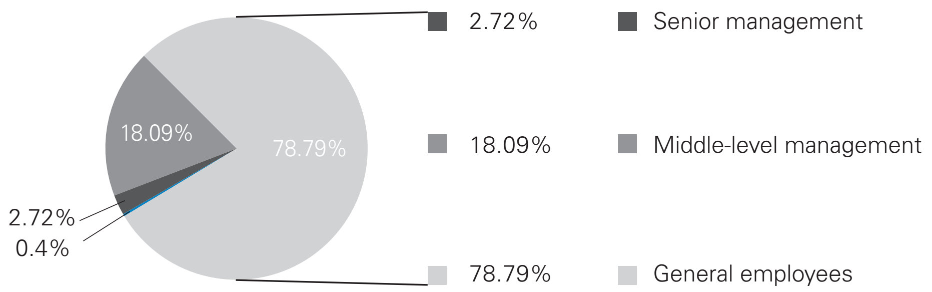
Care for our Staff *(continued)*

- **Investment in Talent Development** *(continued)*
  For the year ended 31 December 2016, the breakdown of the employees' trainings of the Group in its Hong Kong's office and Mainland PV power plants by employee category is as follows:

Summary of staff training attendance for Hong Kong office



Summary of staff training attendance for Mainland PV power plants



Note: 52.94% and 99.60% in above charts represent the percentage of attended staff in Hong Kong office and Mainland power plants over the total number of staff respectively.

- **Building an Energetic Team**
  In order to achieve employees' work and life balance, enrich their spare-time life, enhance sense of belongings and cohesion for the Group, we organize various staff care activities on a regular or occasional basis, such as birthday party, outreach activities, welcome party for new joiners, movie day, home-visit to employee's family and donation for employee in need. By means of such diversified activities, employees not only have proper relaxation and get physical exercises after hard work, but also strengthen their communication with each other and team spirits, all in turn contribute to a full devotion to work and achievement in personal values.

GREEN CARE – TOGETHER WE CREATE A BETTER FUTURE *(continued)*

Care for our Staff *(continued)*

- **Building an Energetic Team** *(continued)*
  For the year ended 31 December 2016, the Group has organized following employee activities:

  - Springtime outreach activity
  - Photography Competition
  - Donation for employee
  - Annual welcome party for new joiners
  - Events for the Teachers' Day
  - Employee's Birthday Party
  - Social activities such as basketball league and football invitation tournament

- **Creating an Environment for Integrity and Honesty**
  Ethics and integrity is the cornerstone of a company's success. The Group has zero tolerance towards behaviors such as bribery, extortion, fraud and money-laundering. The Board, management and all staff must comply with all the relevant laws and regulations promulgated by the State and regional governments in relation to the prevention of the bribery, extortion, fraud and money-laundering. All staff has a duty to understand and comply with the laws and regulations and has an obligation to report to the Board any violation. The Group has set up a Chairman's Mailbox in Mainland office, by which all staff could submit an anonymous whistle-blowing mail to the Board directly in addition to reporting any violation to his/her direct line manager and head of internal audit. The Group will endeavor to protect staff and his/her whistle-blowing information as well as the information received, and investigate the allegations in a serious way. If the alleged incompliance is a violation of the code of conduct, it will be subject to disciplinary actions. However, if the purpose of the whistle-blowing is to do harm, the whistle-blower will be subject to penalty.

  The Group has formulated a Staff Handbook, setting out its requirements of integrity and honesty for all staff, and its stance of against any behaviors of bribery, corruption and embezzling the possessions of the Group or the State.

  In addition, during the recruitment process, the Group will perform background check on staff of specific grading, to verify his/her previous position, incumbency period, remuneration and benefits, ethics and character, as well as his/her education and employment history, negative or sensitive records, so as to ensure the desirable candidate is of good ethics and character to be employed.

GREEN CARE – TOGETHER WE CREATE A BETTER FUTURE *(continued)*

Care for our Staff *(continued)*

- **Creating an Environment for Integrity and Honesty** *(continued)*
  Apart from strict control during the recruitment process, the Group has also formulated Business Reception Policy (《商務接待制度》), setting out standards for the dining and gifts, and requiring appropriate application and approval procedures for business dining and gift at each level.

  For the year ended 31 December 2016, there was no litigation case relating to corruption occurred in the Group.

Care for the Community

A robust development of the Group is depending on the continuous supports and trusts from the State government and all sectors of the community. The Group is always grateful for this and has committed to promoting the social harmony, fulfilling its corporate responsibility and contributing to the society by participating in the local economic development, investing resources such as time, products, influences and managerial knowledge, thereby improving the general public's life standard and organic development of the local economy.

Good community relationship lays solid foundation for the sustainable development of a company, the Group values its relationship with local community where its generating power station projects are operating. In addition to sharing benefits of the community, the Group also has proactively undertaken the responsibility of building the community, such as helping the poverties and caring the vulnerable groups, organizing, encouraging and supporting staff to participate in volunteering services like outreach activities with disabilities and voluntary blood-donating events. Meanwhile, by constructing the projects that highlighted by the concept of "agricultural-photovoltaic complementary" and "fishery-photovoltaic complementary", it creates career opportunities for the local community and supports infrastructure construction and economic development where it is located.

Environmental, Social and Governance Report (Continued)

CONTEXT INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" OF THE HKEX

Subject Areas, Aspects, General Disclosures and KPIs		Chapters/Statements	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Green Business, Green Operations	49-56
KPI A1.1	The types of emissions and respective emissions data.	No disclosure of relevant information has been made for this year.	N/A
KPI A1.2	Greenhouse gas emissions in total and intensity.	No disclosure of relevant information has been made for this year.	N/A
KPI A1.3	Total hazardous waste produced and intensity.	No disclosure of relevant information has been made for this year.	N/A
KPI A1.4	Total non-hazardous waste produced and intensity.	No disclosure of relevant information has been made for this year.	N/A
KPI A1.5	Description of measures to mitigate emissions and results achieved.	No disclosure of relevant information has been made for this year.	N/A
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	No disclosure of relevant information has been made for this year.	N/A

CONTEXT INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" OF THE HKEX *(continued)*

Subject Areas, Aspects, General Disclosures and KPIs		Chapters/Statements	Page
Aspect A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		Green Business, Green Operations	49-56
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	No disclosure of relevant information has been made for this year.	N/A
KPI A2.2	Water consumption in total and intensity.	No disclosure of relevant information has been made for this year.	N/A
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Green Business, Green Operations	49-56
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green Business, Green Operations	49-56
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	The business of the Group does not involve any packaging process.	N/A
Aspect A3: The Environment and Natural Resources			
General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.		Green Business, Green Operations	49-56
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Business, Green Operations	49-56

CONTEXT INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" OF THE HKEX *(continued)*

Subject Areas, Aspects, General Disclosures and KPIs		Chapters/Statements	Page
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Care for Our Staff	57-64
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Recruit Talents	57-58
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	No disclosure of relevant information has been made for this year.	N/A
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Value Safety and Health	59
KPI B2.1	Number and rate of work-related fatalities.	No report of work-related fatality has been received during the reporting period.	N/A
KPI B2.2	Lost days due to work injury.	No disclosure of relevant information has been made for this year.	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Value Safety and Health	59

CONTEXT INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" OF THE HKEX *(continued)*

<table>
<tr><th colspan="2">Subject Areas, Aspects, General Disclosures and KPIs</th><th>Chapters/Statements</th><th>Page</th></tr>
<tr><td colspan="4">Aspect B3: Development and Training</td></tr>
<tr><td colspan="2">General Disclosure
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</td><td>Investment in Talent Development</td><td>59-62</td></tr>
<tr><td>KPI B3.1</td><td>The percentage of employees trained by gender and employee category.</td><td>Investment in Talent Development</td><td>59-62</td></tr>
<tr><td>KPI B3.2</td><td>The average training hours completed per employee by gender and employee category.</td><td>Investment in Talent Development</td><td>59-62</td></tr>
<tr><td colspan="4">Aspect B4: Labour Standards</td></tr>
<tr><td colspan="2">General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer
relating to preventing child and forced labour.</td><td>No child labour or force labour has come to the awareness of the Group in 2016.</td><td>N/A</td></tr>
<tr><td>KPI B4.1</td><td>Description of measures to review employment practices to avoid child and forced labour.</td><td>Annual review on the adequacy of the recruitment procedures under the "Recruitment and Management System" has been conducted by the Group to prevent child and forced labour.</td><td>N/A</td></tr>
<tr><td>KPI B4.2</td><td>Description of steps taken to eliminate such practices when discovered.</td><td>For any breach of company's rules due to recruitment of child or forced labour, the person in charge of the relevant departments will be held accountable and a specialised team will be established to ensure provision of sufficient protection to the victims.</td><td>N/A</td></tr>
</table>

CONTEXT INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" OF THE HKEX *(continued)*

Subject Areas, Aspects, General Disclosures and KPIs		Chapters/Statements	Page
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Selection of the suppliers	50
KPI B5.1	Number of suppliers by geographical region.	No disclosure of relevant information has been made for this year.	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	No disclosure of relevant information has been made for this year.	N/A
Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		<u>Health and Safety of Products and Services</u> Power supply business <u>Advertising, labelling and privacy matter</u> The Group will maintain stringent compliance with the relevant laws in order to keep clients' information confidential. No complaint regarding advertising, labelling and privacy matter has been received in 2016.	N/A
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The business of the Group does not involve any product recall matter.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	No disclosure of relevant information has been made for this year.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	No disclosure of relevant information has been made for this year.	N/A

CONTEXT INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" OF THE HKEX *(continued)*

Subject Areas, Aspects, General Disclosures and KPIs		Chapters/Statements	Page
KPI B6.4	Description of quality assurance process and recall procedures.	Quality Assurance Process Green Business Product Recall Procedures The business of the Group does not involve any product recall matter.	N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	No disclosure of relevant information has been made for this year.	N/A
Aspect B7: Anti-corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Creating an Environment for Integrity and Honesty No breach of the relevant laws and regulations has come to the awareness of the Group.	63-64
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No litigation regarding corruption, bribery, extortion, fraud and money laundering against the Group or any employee of the Group has been occurred or pending during 2016.	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Creating an Environment for Integrity and Honesty	63-64
Community			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Care for local community	64
KPI B8.1	Focus areas of contribution.	No disclosure of relevant information has been made for this year.	N/A
KPI B8.2	Resources contributed to the focus area.	No disclosure of relevant information has been made for this year.	N/A

INDEPENDENT AUDITOR'S REPORT

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TO THE MEMBERS OF KONG SUN HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Kong Sun Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 77 to 173, 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 consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated 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.

BASIS FOR QUALIFIED OPINION *(continued)*

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 ("HKSAs") 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "BASIS FOR QUALIFIED OPINION" section, we have determined the matters below to be the key audit matters to be communicated in our report.

Impairment assessment of goodwill and non-financial assets

(Refer to note 22 to the consolidated financial statements and the Group's critical accounting estimates and assumptions in relation to the impairment of goodwill and non-financial assets set out in notes 5(iii) and 5(iv) respectively)

As at 31 December 2016, the Group had goodwill and non-financial assets amounting to approximately RMB146,657,000 and RMB9,434,055,000 respectively relating to its cash-generating units (the "CGUs") within the segment of solar power plants.

KEY AUDIT MATTERS *(continued)*

Management has performed impairment test on goodwill and non-financial assets in accordance with the Group's accounting policies and concluded that there is no impairment in respect of goodwill and non-financial assets. This assessment was based on the value-in-use calculations.

We have identified impairment assessment of goodwill and non-financial assets as a key audit matter because of its significance to the consolidated financial statements and because the value-in-use calculations involve significant management judgement and estimates with respect to the underlying cash flows, in particular the electricity tariffs, the electricity supply levels and discount rates.

Our response:
Our procedures in relation to management's impairment assessment of goodwill and non-financial assets included:

– considering the historical accuracy of management's budgeting processes;

– evaluating the independent valuer's competence, capabilities and objectivity;

– conducting in-depth discussions with management and the independent valuer about the cash flow projections used in the value-in-use calculations and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the value-in-use calculations;

– benchmarking the growth rates and discount rates used in the value-in-use calculations against independent industry data and comparable companies; and

– engaging other external valuation specialist to assist us in evaluating and assessing the appropriateness of the key assumptions used in the value-in-use calculations.

Accounting for business combinations

(Refer to note 48(a) to the consolidated financial statements and the Group's accounting policies set out in note 4.1)

During the year ended 31 December 2016, the Group entered into various equity transfer agreements with independent third parties to acquire the entire equity interests in certain PRC-incorporated entities at a total cash consideration of approximately RMB281,630,000.

For the purpose of initial accounting for the business combinations, fair value estimation was performed by management, assisted by an independent valuer, to determine the fair value of identifiable assets acquired and liabilities assumed. The primary element of the fair value estimation was to assess the fair values of the solar power plants operated by the newly acquired entities.

We have identified the accounting for business combinations as a key audit matter because of its significance to the consolidated financial statements and because the fair value estimations involve significant management judgement and estimates with respect to the determination of fair values of the identifiable assets acquired and liabilities assumed.

KEY AUDIT MATTERS *(continued)*

Our response:
Our procedures in relation to management's fair value estimations of the identifiable assets acquired and liabilities assumed included:

– analysing the equity transfer agreements to ensure the terms and conditions contained within were appropriately accounted for and reflected in the acquisition accounting;

– evaluating the independent valuer's competence, capabilities and objectivity;

– assessing the valuation methodologies used by management and the independent valuer;

– conducting in-depth discussions with management and the independent valuer about the cash flow projections used in the fair value estimations and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the fair value estimations;

– benchmarking the key assumptions and discount rates used in the fair value estimations against independent industry data and comparable companies; and

– engaging other external valuation specialist to assist us in evaluating and assessing the valuation methodologies and the appropriateness of the key assumptions used in the fair value estimations.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA 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.

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	7	**559,959**	1,736,278
Cost of sales		**(259,610)**	(1,545,128)
Gross profit		**300,349**	191,150
(Loss)/Gain on fair value changes on investment properties	21	**(5,563)**	5,222
Other revenue	8	**115,489**	10,264
Other net income	8	**1,653**	1,071
Distribution costs		**(646)**	(72)
Administrative expenses		**(219,974)**	(190,797)
Gain on disposal of subsidiaries, net	47	**45,591**	21,006
Gain on disposal/deemed disposal of associates	20	**108,918**	–
Finance costs	13	**(250,983)**	(62,762)
Impairment loss of a disposal group classified as held for sale	30	**(5,093)**	(57,158)
Share of profit/(loss) of a joint venture	19	**8,511**	(1,342)
Share of loss of associates	20	**(33,358)**	–
Profit/(Loss) before income tax	9	**64,894**	(83,418)
Income tax expense	14	**(10,090)**	(15,576)
Profit/(Loss) for the year		**54,804**	(98,994)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**54,701**	(98,994)
Non-controlling interests		**103**	–
		54,804	(98,994)
Earnings/(Loss) per share attributable to owners of the Company for the year	16		
– Basic and diluted (RMB cents)		**0.39**	(1.08)
Profit/(Loss) for the year		**54,804**	(98,994)
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		**(11,894)**	(1,840)
– Release of exchange reserve upon disposal of subsidiaries		**(967)**	(623)
Other comprehensive income for the year, net of tax		**(12,861)**	(2,463)
Total comprehensive income for the year		**41,943**	(101,457)
Total comprehensive income attributable to:			
Owners of the Company		**41,840**	(101,457)
Non-controlling interests		**103**	–
		41,943	(101,457)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**25,302**	38,554
Solar power plants	18	**9,278,974**	4,418,018
Interest in a joint venture	19	**295,402**	286,891
Interests in associates	20	**–**	–
Investment properties	21	**984**	49,010
Goodwill	22	**146,657**	86,261
Lease prepayments	23	**128,795**	51,115
Available-for-sale investments	24	**352,730**	–
		10,228,844	4,929,849
Current assets			
Financial assets held for trading	25	**236,629**	–
Inventories	26	**1,623**	1,181
Trade, bills and other receivables	27	**3,205,581**	3,950,076
Structured bank deposits	28	**1,125,000**	700,000
Cash and cash equivalents	29	**628,127**	637,732
		5,196,960	5,288,989
Assets of a disposal group classified as held for sale	30	**47,825**	188,557
Total current assets		**5,244,785**	5,477,546
Current liabilities			
Trade and other payables	31	**2,800,776**	2,435,026
Loans and borrowings	32	**1,030,617**	1,028,517
Obligations under finance leases	33	**117**	276
Current taxation		**13,152**	15,753
		3,844,662	3,479,572
Liabilities of a disposal group classified as held for sale	30	**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

Consolidated Statement of Financial Position (Continued)

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Loans and borrowings	32	**4,830,339**	1,940,097
Obligations under finance leases	33	**236**	531
Loan from ultimate holding company	34	**–**	1,256,670
Corporate bonds	35	**400,067**	322,008
Deferred tax liabilities	36	**1,270**	3,230
		5,231,912	3,522,536
NET ASSETS		**6,396,639**	3,402,197
CAPITAL AND RESERVES			
Share capital	37	**6,486,588**	3,608,604
Reserves	38	**(127,552)**	(206,407)
Equity attributable to owners of the Company		**6,359,036**	3,402,197
Non-controlling interests	46	**37,603**	–
TOTAL EQUITY		**6,396,639**	3,402,197

On behalf of the directors

Zeng Jianhua
Chairman

Liu Wen Ping
Executive Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Profit/(Loss) before income tax		64,894	(83,418)
Adjustments for:			
Depreciation of property, plant and equipment	17	6,267	2,406
Depreciation of solar power plants	18	262,877	83,601
Amortisation of lease prepayments	23	16,316	1,347
Equity settled share-based payment expenses	10	37,015	61,517
Foreign exchange gain, net		(2,231)	(5,548)
Gain on disposal of subsidiaries, net	47	(45,591)	(21,006)
Gain on disposal/deemed disposal of associates	20	(108,918)	–
Loss/(Gain) on disposal of property, plant and equipment, net	8	391	(359)
Loss/(Gain) on fair value changes of investment properties	21	5,563	(5,222)
Net fair value gain arising from financial assets held for trading	8	(271)	–
Impairment loss on a disposal group classified as held for sale	30	5,093	57,158
Share of (profit)/loss of a joint venture	19	(8,511)	1,342
Share of loss of associates	20	33,358	–
Interest expense	13	250,983	62,762
Interest income	8	(67,315)	(3,580)
Write-off of inventories		–	622
Operating profit before working capital changes		449,920	151,622
(Increase)/Decrease in inventories		(441)	902
Decrease/(Increase) in trade, bills and other receivables		1,544,400	(3,192,562)
Decrease in trade and other payables		(3,978,054)	(73,341)
Cash used in operations		(1,984,175)	(3,113,379)
Tax paid		(12,860)	(9,414)
Net cash used in operating activities		(1,997,035)	(3,122,793)
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(11,742)	(15,385)
Proceeds from sale of property, plant and equipment		164	2,157
Payments for construction cost in respect of solar power plants		(753,666)	(516,250)
Payments for purchase of available-for-sale investments		(352,730)	–
Payments for purchase of lease prepayments		(99,286)	(26,504)
Interest received		67,315	5,932
Decrease in pledged bank deposits		–	152,223
Proceeds from disposal of subsidiaries, net of cash disposed	47	60,541	55,618
Proceeds from disposal of associates, net of disposal costs	20	476,400	–
Capital injection from minority shareholders	46	47,500	–
Payment for acquisition of additional interest in a subsidiary	46	(10,000)	–
Payments for purchase of financial assets held for trading		(232,759)	–
Increase in structured bank deposits, net		(425,000)	(700,000)
Capital injection to a joint venture		–	(288,233)
Payments for acquisition of subsidiaries, net of cash acquired	48	(266,268)	(216,287)
Payments for acquisition of associates, net of cash acquired	20	(400,840)	–
Net cash used in investing activities		(1,900,371)	(1,546,729)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from financing activities			
Capital element of finance leases rentals paid		(487)	(139)
Proceeds from subscription/placing of new shares		1,602,068	1,381,788
Payment of transaction costs on subscription/placing of new shares		(380)	(41,160)
Net proceeds from issuance of corporate bonds		42,831	308,803
Proceed from loan from ultimate holding company		–	1,256,670
Proceeds from new loans and borrowings		3,588,998	1,678,977
Repayment of loans and borrowings		(1,121,176)	(235,901)
Interest paid		(234,131)	(53,242)
Net cash generated from financing activities		3,877,723	4,295,796
Net decrease in cash and cash equivalents		(19,683)	(373,726)
Cash and cash equivalent at the beginning of the year		637,994	1,008,312
Effect of exchange rate changes		13,196	3,408
Cash and cash equivalents at the end of the year		631,507	637,994
Cash and cash equivalents as at 31 December, represented by:			
Bank balances and cash	29	628,127	637,732
Bank balances and cash included in assets classified as held for sale	30	3,380	262
Cash and cash equivalents at the end of the year		631,507	637,994

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Equity attributable to owners of the Company							
	Share capital RMB'000 (note 37)	PRC statutory reserve RMB'000 (note 38(i))	Exchange reserve RMB'000 (note 38(ii))	Equity settled share-based payment reserve RMB'000 (note 38(iii))	Accumulated (losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000 (note 46)	Total equity RMB'000
Balance at 1 January 2015	2,267,976	2,806	(34,660)	15,448	(150,061)	2,101,509	–	2,101,509
Loss for the year	–	–	–	–	(98,994)	(98,994)	–	(98,994)
Other comprehensive income	–	–	(2,463)	–	–	(2,463)	–	(2,463)
Total comprehensive income	–	–	(2,463)	–	(98,994)	(101,457)	–	(101,457)
Placing of new shares (notes 37(b) and (c))	1,340,628	–	–	–	–	1,340,628	–	1,340,628
Equity settled share-based transactions (note 10)	–	–	–	61,517	–	61,517	–	61,517
Appropriation to PRC statutory reserves	–	6,757	–	–	(6,757)	–	–	–
Balance at 31 December 2015 and 1 January 2016	**3,608,604**	**9,563**	**(37,123)**	**76,965**	**(255,812)**	**3,402,197**	**–**	**3,402,197**
Profit for the year	**–**	**–**	**–**	**–**	**54,701**	**54,701**	**103**	**54,804**
Other comprehensive income	**–**	**–**	**(12,861)**	**–**	**–**	**(12,861)**	**–**	**(12,861)**
Total comprehensive income	**–**	**–**	**(12,861)**	**–**	**54,701**	**41,840**	**103**	**41,943**
Issuance of new shares (note 37(a))	**2,877,984**	**–**	**–**	**–**	**–**	**2,877,984**	**–**	**2,877,984**
Equity settled share-based transactions (note 10)	**–**	**–**	**–**	**37,015**	**–**	**37,015**	**–**	**37,015**
Appropriation to PRC statutory reserves	**–**	**20,208**	**–**	**–**	**(20,208)**	**–**	**–**	**–**
Formation of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**47,500**	**47,500**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(10,000)**	**(10,000)**
Balance at 31 December 2016	**6,486,588**	**29,771**	**(49,984)**	**113,980**	**(221,319)**	**6,359,036**	**37,603**	**6,396,639**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 "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 and securities investment, manufacturing and sales of life-like plants.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

In the current year, the Company and its subsidiaries (the "Group") have applied for the first time the following new/revised 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 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	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – 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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

2.2 New/revised 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.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

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.

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. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements on pages 77 to 173 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 (the "Listing Rules").

3.2 Basis of measurement

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. 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/revised 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.

3.3 Functional and presentation currency

Since the Company conducts its primary business operations through its subsidiaries established in the People's Republic of China (the "PRC") and Renminbi ("RMB") is 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 Company adopts RMB as its functional currency. All financial information presented in RMB has been rounded to the nearest thousand.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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.

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.

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

4.1 Basis of consolidation *(continued)*

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.

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.

4.2 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.

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

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

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

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

Any premium paid for an associate 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 associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

4.4 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).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.4 Joint arrangements *(continued)*

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.

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.

The Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

4.5 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 is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.9), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.6 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.

4.7 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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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

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

4.7 Property, plant and equipment *(continued)*

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.

4.8 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.

4.9 Impairment of other non-financial assets

The Group's property, plant and equipment, solar power plants, interest 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 cash generating unit ("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 less costs of disposal 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.

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

4.10 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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.11 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.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

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.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

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

4.11 Financial instruments *(continued)*

(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.

For 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.

For Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.11 Financial instruments *(continued)*

(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 4.15). 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 effective interest method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 4.10).

(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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.11 Financial instruments *(continued)*

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Hong Kong Companies Ordinance, Cap. 622, 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.

4.12 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 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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.13 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 electricity includes tariff adjustment which represents subsidy received and receivable from the government authorities in respect of the Group's solar power plant business. Tariff adjustment is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any;

– 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;

– 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; and

– Services fee income is recognised when services are rendered.

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

4.14 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.

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.

4.15 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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.16 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.

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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.16 Income taxes *(continued)*

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.

4.17 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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.18 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.

4.19 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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.20 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.

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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

4.21 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.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.22 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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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 4.9. 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 22.

(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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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.

(vii) Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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 2016 and 2015 is set out below.

	Year ended 31 December 2016				
	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	554,416	–	4,317	1,226	559,959
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	554,416	–	4,317	1,226	559,959
Reportable segment profit (adjusted EBITDA)	545,962	(101,972)	2,753	(9,195)	437,548
Interest income	4,893	62,014	340	–	67,247
Interest expense	171,502	29,114	312	–	200,928
Depreciation and amortisation for the year	280,391	2,108	1,056	274	283,829
Reportable segment assets	11,977,371	4,392,729	11,056	48,809	16,429,965
Additions to non-current assets during the year	5,189,829	–	612	984	5,191,425
Reportable segment liabilities	10,372,410	350,318	9,599	416	10,732,743

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

6. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	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 2016

6. SEGMENT INFORMATION *(continued)*

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

	2016 RMB'000	2015 RMB'000
Revenue		
Reportable segment revenue	559,959	1,736,278
Elimination of inter-segment revenue	–	–
Consolidated revenue	559,959	1,736,278
Profit/(Loss)		
Reportable segment profit	437,548	118,894
Elimination of inter-segment profit	–	–
Other revenue and other net income	101,026	11,335
Depreciation and amortisation	(285,460)	(87,354)
Gain on disposal of subsidiaries, net	45,591	–
Gain on disposal/deemed disposal of associates	108,918	–
Share of profit/(loss) of a joint venture	8,511	(1,342)
Share of loss of associates	(33,358)	–
Finance costs	(250,983)	(62,762)
Unallocated corporate expenses	(66,899)	(62,189)
Consolidated profit/(loss) before income tax expense	64,894	(83,418)
Assets		
Reportable segment assets	16,429,965	11,210,735
Elimination of inter-segment receivables	(2,133,781)	(1,540,380)
Investment in a joint venture	295,402	286,891
Unallocated corporate assets	882,043	450,149
Consolidated total assets	15,473,629	10,407,395
Liabilities		
Reportable segment liabilities	10,732,743	6,664,865
Elimination of inter-segment payables	(2,133,781)	(1,540,380)
Loan from ultimate holding company	–	1,256,670
Corporate bonds	400,067	322,008
Deferred tax liabilities	1,270	3,230
Unallocated corporate liabilities	76,691	298,805
Consolidated total liabilities	9,076,990	7,005,198

(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:

	2016 RMB'000	2015 RMB'000
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
Consolidated revenue	559,959	1,736,278

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

For the years ended 31 December 2016 and 2015, the major customers contributed over 10% of the total revenue of the Group are set out below:

	2016 RMB'000	2015 RMB'000
Customer A	–	533,774
Customer B	–	373,128
Customer C	–	229,167
Customer D	–	178,120
Customer E	140,321	–
Customer F	127,248	–
Customer G	67,155	–
Customer H	55,448	–

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

8. OTHER REVENUE AND OTHER NET INCOME

	2016 RMB'000	2015 RMB'000
Other revenue		
Interest income	67,315	3,580
Services fee income	9,400	–
Compensation income	30,822	–
Others	7,952	6,684
	115,489	10,264
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
	1,653	1,071

9. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2016 RMB'000	2015 RMB'000
Auditors' remuneration	4,100	9,865
Amortisation of lease prepayments (note 23)	16,316	1,347
Cost of inventories (note)	3,392	1,479,315
Depreciation		
– Property, plant and equipment (note 17)	6,267	2,406
– Solar power plants (note 18)	262,877	83,601
Operating lease charges	13,528	7,978

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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	**56,450**	29,351
Contributions to defined contribution retirement plan (note 43)	**2,761**	1,104
Equity settled share-based payment expenses (note 44)	**37,015**	61,517
Total employee benefit expenses	**96,226**	91,972

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) 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 RMB'000 (note)	Total RMB'000
Year ended 31 December 2016					
Chairman and non-executive director					
Ma Ji[1]	205	–	–	550	755
Executive directors					
Chang Hoi Nam	308	–	15	168	491
Liu Wen Ping	103	868	10	5,040	6,021
Non-executive director					
Chang Tat Joel[2]	205	–	–	188	393
Independent non-executive directors					
Lu Hongda[2]	103	–	–	94	197
Miu Hon Kit	185	–	–	84	269
Wang Haisheng	103	–	–	84	187
	1,212	868	25	6,208	8,313

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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 RMB'000 (note)	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	96	815	–	7,928	8,839
Non-executive director					
Chang Tat Joel[2]	193	–	–	296	489
Independent non-executive directors					
Lu Hongda[2]	96	–	–	148	244
Miu Hon Kit	174	–	–	132	306
Wang Haisheng	96	–	–	132	228
	1,047	815	15	9,253	11,130

1 appointed as Chairman and non-executive director on 18 June 2015 and resigned on 6 March 2017

2 resigned on 24 January 2017

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 4.18.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 44.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one of them (2015: one) was a director of the Company whose emoluments are included in note 11 above. The emoluments of the remaining four (2015: four) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	4,296	3,969
Contributions to defined contribution retirement plan	41	43
Equity settled share-based payment expenses	10,583	16,727
	14,920	20,739

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

Emolument band	Number of individuals 2016	2015
HK$ Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$4,000,000	–	–
HK$4,000,000 or above	2	2

During the years ended 31 December 2016 and 2015, 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 of the Company have waived or agreed to waive any emoluments in respect of the years ended 31 December 2016 and 2015.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

13. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
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 (note 35)	**37,188**	12,391
Finance charges on obligations under finance leases	**52**	66
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* (note 18)	**(42,596)**	(15,765)
	250,983	62,762

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

14. INCOME TAX EXPENSE

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

	2016 RMB'000	2015 RMB'000
Current tax		
– PRC Corporate Income Tax	**11,407**	15,753
– (Over)/Under-provision in prior years	**(1,148)**	60
	10,259	15,813
Deferred tax (note 36)	**(169)**	(237)
	10,090	15,576

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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

14. INCOME TAX EXPENSE *(continued)*

Pursuant to CaiShui [2008] No.46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment (財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), certain solar power projects of the Group, which are approved after 1 January 2008, are entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective years in which their first operating income is derived.

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 profit/(loss) at applicable tax rates:

	2016 **RMB'000**	2015 RMB'000
Profit/(Loss) before income tax	**64,894**	(83,418)
Tax on profit/(loss) before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**21,227**	(14,706)
Tax effect of non-deductible expenses	**8,901**	35,328
Tax effect of non-taxable income	**(14,613)**	(5,072)
Tax effect of PRC preferential tax treatment	**(44,558)**	(4,856)
Utilisation of tax loss previously not recognised	**(595)**	(85)
Tax effect of tax loss not recognised	**41,045**	5,144
(Over)/Under-provision in prior years	**(1,148)**	60
Tax effect of temporary differences	**(169)**	(237)
Income tax expense	**10,090**	15,576

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

15. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2016			2015		
	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	**(11,894)**	**–**	**(11,894)**	(1,840)	–	(1,840)
Release of exchange reserve upon disposal of subsidiaries (note 47)	**(967)**	**–**	**(967)**	(623)	–	(623)
	(12,861)	**–**	**(12,861)**	(2,463)	–	(2,463)

16. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR 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	**4,314,166**	896,304
Weighted average number of ordinary shares at 31 December	**14,101,609**	9,187,046

(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 (note 44) was anti-dilutive and diluted loss per share during the year is therefore equal to basic loss per share.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

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 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 subsidiaries (note 47)	(1,388)	–	–	(167)	(1,555)
Exchange realignment	1,641	366	112	10	2,129
At 31 December 2015 and 1 January 2016	36,591	6,390	4,282	7,977	55,240
Additions	3,655	–	5,513	2,574	11,742
Acquisition of subsidiaries (note 48)	–	–	322	11	333
Disposals	–	–	(727)	(10)	(737)
Disposal of subsidiaries (note 47)	(24,216)	(77)	(1,159)	(212)	(25,664)
Exchange realignment	1,326	416	70	1	1,813
At 31 December 2016	17,356	6,729	8,301	10,341	42,727
Accumulated Depreciation					
At 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 subsidiaries (note 47)	(1,045)	–	–	(110)	(1,155)
Exchange realignment	257	326	29	8	620
At 31 December 2015 and 1 January 2016	9,538	5,580	868	700	16,686
Charge for the year	2,526	168	1,457	2,116	6,267
Write back on disposals	–	–	(182)	–	(182)
Disposal of subsidiaries (note 47)	(5,431)	(66)	(558)	(189)	(6,244)
Exchange realignment	510	367	16	5	898
At 31 December 2016	7,143	6,049	1,601	2,632	17,425
Net carrying value					
At 31 December 2015	27,053	810	3,414	7,277	38,554
At 31 December 2016	10,213	680	6,700	7,709	25,302

At 31 December 2016, certain buildings with carrying values of approximately RMB1,219,000 (2015: RMB1,041,000) was pledged as security for the Group's loans and borrowings (note 32).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

18. SOLAR POWER PLANTS

	Solar power plants RMB'000	Solar power plants under development RMB'000	Total RMB'000
Cost			
At 1 January 2015	535,561	1,034,247	1,569,808
Acquisition of subsidiaries (note 48)	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 (note 13)	–	15,765	15,765
Transfer	624,832	(624,832)	–
Transfer to assets of a disposal group classified as held for sale (note 30(b))	–	(245,030)	(245,030)
At 31 December 2015 and 1 January 2016	2,445,322	2,057,955	4,503,277
Acquisition of subsidiaries (note 48)	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 (note 13)	–	42,596	42,596
Transfer	1,075,235	(1,075,235)	–
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
At 31 December 2015 and 1 January 2016	85,259	–	85,259
Charge for the year	262,877	–	262,877
At 31 December 2016	348,136	–	348,136
Net carrying value			
At 31 December 2015	2,360,063	2,057,955	4,418,018
At 31 December 2016	6,879,981	2,398,993	9,278,974

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 2016, certain solar power plants with carrying value of approximately RMB1,357,001,000 (2015: approximately 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 of the Company do not expect any legal obstacles for the Group in obtaining the relevant title certificates.

As at 31 December 2016, certain solar 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 32).

19. INTEREST IN A JOINT VENTURE

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

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 interest/ voting rights	Principal activity
江山寶源國際有限公司 (Kong Sun Baoyuan International Company Limited*) ("Kong Sun Baoyuan")	Incorporated	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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

19. INTEREST 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 years ended 31 December 2016 and 2015:

	2016 RMB'000	2015 RMB'000
Non-current assets	**270,704**	330,635
Current assets (including cash and cash equivalents of approximately RMB105,473,000 (2015: approximately RMB26,308,000))	**430,733**	206,938
Non-current liabilities	**(35,640)**	(14,482)
Current liabilities	**(128,703)**	(1,472)
Revenue	**45,038**	4,718
Profit/(Loss) for the year and total comprehensive income	**15,475**	(2,569)
Depreciation	**(190)**	(19)
Interest income	**529**	318
Income tax expense/(credit)	**5,158**	(129)

Reconciliation of the above summarised 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	537,094
Proportion of the Group's ownership interests	55%
Carrying amount of the Group's investment in Kong Sun Baoyuan	295,402

During the years ended 31 December 2016 and 2015, the Group provided financial guarantees in respect of loans from Kong Sun Baoyuan to independent third parties amounting to approximately RMB153,000,000 (2015: 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.

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For the year ended 31 December 2016

20. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
At the beginning of the year	–	–
Acquisitions of associates (notes (a) and (b))	400,840	–
Gain on deemed disposal (note (a))	14,609	–
Share of loss	(33,358)	–
Disposals (notes (a) and (b))	(382,091)	–
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 was not in control or jointly control over those policies. Under HKAS 28, Zhongke Hengyuan was classified as an associate and had 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 approximately 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 cost 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 provided the Group with the power to participate in the financial and operating policy decisions of Zhangqian E-Commerce but was not in control or jointly control over those policies. Under HKAS 28, Zhangqian E-Commerce was classified as an associate and had been accounted for in the consolidated financial statements using equity method.

On 28 December 2016, the Group disposed of 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.

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For the year ended 31 December 2016

21. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
At the beginning of the year	**49,010**	77,943
Acquisition of a subsidiary (note 48(b))	**1,968**	–
(Loss)/Gain on fair value changes	**(5,563)**	5,222
Disposal of a subsudiary (note 47(d))	**–**	(36,143)
Transfer to assets of a disposal group classified as held for sale (note 30(a))	**(47,498)**	–
Exchange realignment	**3,067**	1,988
At the end of the year	**984**	49,010

The Group's investment properties were revalued as at 31 December 2016 and 2015 by an independent firm of surveyors, Grant Sherman Appraisal Limited ("Grant Sherman"), 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 2016 RMB	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	984,000 (2015: 49,010,000)	Direct comparison	Quality of properties (e.g. location, size, level and condition of the properties)	+/-10%	The higher the quality of properties with reference to comparable properties, the higher the fair value

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. Changes in unrealised fair value loss for the year included in profit or loss for investment properties held at the end of the year was approximately RMB5,563,000 (2015: fair value gain of RMB5,222,000).

22. GOODWILL

	2016 RMB'000	2015 RMB'000
At the beginning of the year	**86,261**	35,050
Acquired through business combinations (note 48(a))	**60,396**	51,211
At the end of the year	**146,657**	86,261

Goodwill is allocated to certain of the Group's CGUs within the solar power plants segment. For the purpose of impairment test, the carrying amount of goodwill, net of any impairment loss, is allocated to the following CGUs within the solar power plants segment:

Name of entities	2016 RMB'000	2015 RMB'000
Yumen Yonglian	**9,270**	9,270
Gansu Hongyuan	**24,819**	24,819
Hami Zhaoxiang	**961**	961
Hejing Xushuang	**1,250**	1,250
Lanzhou Taike	**49,546**	49,546
Artux Huaguang	**80**	80
Artux Xingguang	**335**	335
Dingbian Jingyang	**176**	–
Dingbian Wanheshun	**150**	–
Maigaiti Hengji	**23**	–
Wangshi Wangyuan	**221**	–
Huolin Jingri	**46**	–
Jingbian Zhiguang	**56,244**	–
Julu Minghui	**27**	–
北京四海盈辰投資有限公司 (Beijing Sihai Yingchen Investment Co., Ltd.*) ("Beijing Sihai")	**3,487**	–
Suzhou Yunyang	**22**	–
	146,657	86,261

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 2% (2015: 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 10.28% to 11.90% (2015: 10.82% to 11.45%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

23. LEASE PREPAYMENTS

	Land use rights RMB'000	Lease Prepayments RMB'000	Total RMB'000
Cost			
At 1 January 2015	10,183	14,909	25,092
Acquisition of subsidiaries (note 48(b))	–	2,560	2,560
Additions	15,709	10,795	26,504
Exchange realignment	–	775	775
At 31 December 2015 and 1 January 2016	25,892	29,039	54,931
Acquisition of subsidiaries (note 48(a))	–	5,019	5,019
Additions	12,269	87,017	99,286
Disposal of a subsidiary (note 47(c))	–	(13,556)	(13,556)
Exchange realignment	–	286	286
At 31 December 2016	38,161	107,805	145,966
Accumulated amortisation			
At 1 January 2015	60	2,254	2,314
Amortisation for the year	618	729	1,347
Exchange realignment	–	155	155
At 31 December 2015 and 1 January 2016	678	3,138	3,816
Amortisation for the year	1,273	15,043	16,316
Disposal of a subsidiary (note 47(c))	–	(3,021)	(3,021)
Exchange realignment	–	60	60
At 31 December 2016	1,951	15,220	17,171
Net carrying value			
At 31 December 2015	25,214	25,901	51,115
At 31 December 2016	36,210	92,585	128,795

The amount consists of land use rights and prepaid rentals. Land use rights represent the premium paid to the PRC government authorities by the Group. The Group's leasehold lands are located in the PRC. The Group is granted the land use rights for a period of 50 years up to 2036 to 2064. Prepaid rentals were paid by the Group for leasing certain land parcels in the PRC.

As at 31 December 2016, certain land use rights with carrying values of approximately RMB867,000 (2015: approximately RMB913,000) were pledged as securities for the Group's loans and borrowings (note 32).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

24. AVAILABLE-FOR-SALE INVESTMENTS

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

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.

(a)(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 polices of above partnerships and investment entities so as to obtain benefits from their activities and does not intend to trade for short-term profit, the directors of the Company 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 of the Company are of the opinion that their fair values cannot be reliably measured.

Notes to the Financial Statements (Continued)
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25. FINANCIAL ASSETS HELD FOR TRADING

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

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

26. INVENTORIES

	2016 RMB'000	2015 RMB'000
Finished goods	26	29
Solar power plants – consumables	1,597	1,152
	1,623	1,181

27. TRADE, BILLS AND OTHER RECEIVABLES

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

27. TRADE, BILLS 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. 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. As 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 RMB'000	2015 RMB'000
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 bills receivables, based on due dates, are as follows:

	2016 RMB'000	2015 RMB'000
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 32).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

28. 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 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.

29. CASH AND CASH EQUIVALENTS

	2016 **RMB'000**	2015 RMB'000
Cash on hand	**118**	14
Cash at banks	**628,009**	637,718
	628,127	637,732

Included in cash and cash equivalents of the Group is approximately RMB513,007,000 (2015: RMB502,453,000) 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.

Notes to the Financial Statements (Continued)
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30. 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 sale 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 of the Company 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 (note 21)	47,498
Other receivables	12
Cash and cash equivalents	3,380
Deferred tax assets (note 36)	2,259
Exchange difference	(231)
Impairment loss on a disposal group classified as held for sale	(5,093)
Total assets classified as held for sale	47,825
Other payables	416
Total liabilities classified as held for sale	416

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

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

(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 of the Company 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 RMB'000
Solar power plant under development (note 18)	245,030
Trade and 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
Trade and other payables	3,090
Total liabilities classified as held for sale	3,090

31. TRADE AND OTHER PAYABLES

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

31. TRADE AND OTHER PAYABLES *(continued)*

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

	2016 RMB'000	2015 RMB'000
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	**614,347**	76,849
	1,724,513	2,044,386

Retentions payable amounting to approximately RMB311,310,000 (2015: approximately 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.

32. LOANS AND BORROWINGS

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

32. LOANS AND BORROWINGS *(continued)*

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

	2016 RMB'000	2015 RMB'000
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	**1,721,060**	849,306
	5,860,956	2,968,614

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 RMB'000	2015 RMB'000
Solar power plants (note 18)	**5,280,270**	2,567,145
Trade receivables (note 27(iv))	**476,809**	106,086
Property, plant and equipment (note 17)	**1,219**	1,041
Lease prepayments (note 23)	**867**	913
	5,759,165	2,675,185

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 (2015: Nil) 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).

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For the year ended 31 December 2016

33. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles and these leases are classified as finance leases having remaining lease terms of within 2 years (2015: 3 years). As at 31 December 2016 and 2015, the total future minimum lease payments under finance leases and their present values are as follows:

	2016		2015	
	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	117	137	276	307
Due in the second year	115	125	289	307
Due in the third to fifth years, inclusive	121	125	242	247
	236	250	531	554
	353	387	807	861
Less: future finance charge on finance leases		(34)		(54)
Present value of finance leases obligations		353		807

34. LOAN FROM ULTIMATE HOLDING COMPANY

On 19 November 2015, the Company and 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 37(a)).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

35. CORPORATE BONDS

	2016 RMB'000	2015 RMB'000
At the beginning of the year	**322,008**	–
Initial recognition	**42,831**	317,546
Imputed interest expense (note 13)	**37,188**	12,391
Interest payable	**(25,448)**	(8,459)
Exchange realignment	**23,488**	530
At the end of the year	**400,067**	322,008

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 approximately RMB37,188,000) (2015: HK$15,422,000 (equivalent to approximately RMB12,391,000)) (note 13) was recognised in profit or loss during the year.

36. DEFERRED TAX LIABILITIES

At 31 December 2016, the movement on the deferred tax liabilities is as follows:

	2016 RMB'000	2015 RMB'000
At the beginning of the year	3,230	5,656
Credited to profit or loss (note 14)	(169)	(237)
Disposal of subsidiaries (note 47(c))	(4,109)	(2,426)
Transfer to assets of a disposal group classified as held for sale (note 30(a))	2,259	–
Exchange realignment	59	237
At the end of the year	1,270	3,230

No deferred tax asset has been recognised on tax loss of the Hong Kong and PRC subsidiaries due to the unpredictability of future profit. The unrecognised tax losses are losses of approximately RMB235,601,000 (2015: RMB42,029,000). The tax losses of the subsidiaries operating in PRC can be carried forward for 5 years from the year in which the respective losses arose, while tax losses of the companies within the Group operating in Hong Kong can carry forward their tax losses indefinitely under the current tax legislation.

37. SHARE CAPITAL

	2016		2015	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
Issued and fully paid				
At the 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))	5,177,000	2,877,984	1,496,700	1,340,628
At the end of the year	14,964,442	6,486,588	9,787,442	3,608,604

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

37. SHARE CAPITAL *(continued)*

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) (note 34). 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 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 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.

38. RESERVES

The 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 82 of the consolidated financial statements.

The Company

	Exchange reserve RMB'000 (note (ii))	Equity settled share-based payment reserve RMB'000 (note (iii))	Accumulated losses RMB'000	Total RMB'000
At 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 (note 10)	–	61,517	–	61,517
At 31 December 2015 and 1 January 2016	169,392	76,965	(299,591)	(53,234)
Total comprehensive income for the year	419,498	–	(52,252)	367,246
Equity settled share-based transactions (note 10)	–	37,015	–	37,015
At 31 December 2016	588,890	113,980	(351,843)	351,027

38. RESERVES *(continued)*

(i) 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.

(ii) 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 4.14.

(iii) 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 4.18.

39. DIVIDEND

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

40. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**564**	1,056
Interests in subsidiaries		**1,115**	984
		1,679	2,040
Current assets			
Financial assets held for trading		**83,118**	–
Other receivables		**7,108,358**	5,126,183
Cash and cash equivalents		**64,759**	34,519
		7,256,235	5,160,702
Current liabilities			
Other payables		**20,232**	28,694
Net current assets		**7,236,003**	5,132,008
Total assets less current liabilities		**7,237,682**	5,134,048
Non-current liabilities			
Loan from ultimate holding company		**–**	1,256,670
Corporate bonds		**400,067**	322,008
		400,067	1,578,678
NET ASSETS		**6,837,615**	3,555,370
CAPITAL AND RESERVES			
Share capital	37	**6,486,588**	3,608,604
Reserves	38	**351,027**	(53,234)
TOTAL EQUITY		**6,837,615**	3,555,370

On behalf of the directors

Zeng Jianhua
Chairman

Liu Wen Ping
Executive Director

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

41. COMMITMENTS

(a) Capital commitments

At 31 December 2016, the Group had outstanding capital commitments as follows:

	2016 RMB'000	2015 RMB'000
Contracted but not provided for in respect of – the construction costs and service expense for solar power plants under development	**2,798,653**	866,088

(b) Operating lease commitments

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**15,987**	15,375
In the second to fifth years, inclusive	**41,257**	7,596
Beyond the fifth year	**158,035**	31,524
	215,279	54,495

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 29 years (2015: 1 to 25 years), at the end of which time all terms are renegotiated. None of the leases includes contingent rentals.

42. OPERATING LEASE ARRANGEMENT – AS LESSOR

At 31 December 2016, 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:

	2016 RMB'000	2015 RMB'000
Within one year	**–**	1,907
In the second to fifth years, inclusive	**–**	2,421
	–	4,328

During the year ended 31 December 2016, the Group disposed of the said investment properties and motor vehicle and there were no more operating lease receipts arising from the operating leases. As at 31 December 2015, the Group leased out the investment properties and motor vehicle under operating leases which ran for an initial period of 1 to 3 years, with an option to renew the leases after that date at which time all terms are renegotiated.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

43. 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 HK$1,500 (equivalent to approximately RMB1,284) (2015: HK$1,500 (equivalent to approximately RMB1,205)) 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 2016, the total retirement benefit cost charged to the consolidated statement of profit or loss amounted to approximately RMB2,761,000 (2015: RMB1,104,000) (note 10).

44. 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 2016

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

The terms and conditions of the grants are as follows:

	Number of share options	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 2016

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

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

	2016		2015	
	Weighted exercise price HK$	**Number of share options**	Weighted exercise price HK$	Number of share options
Outstanding at the beginning of the year	**1.10**	**472,700,000**	1.10	468,700,000
Granted during the year	**–**	**–**	1.20	4,000,000
Outstanding at the end of the year	**1.10**	**472,700,000**	1.10	472,700,000
Exercisable at the end of the year	**1.10**	**235,350,000**	1.10	117,175,000

The options outstanding at 31 December 2016 had an exercise price of HK$1.10, HK$1.16 or HK$1.20 (2015: HK$1.10, HK$1.16 or HK$1.20) and a weighted average remaining contractual life of 2.78 years (2015: 3.78 years).

Notes to the Financial Statements (Continued)
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44. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

The fair value of services received in return for the share options granted was measured by reference to the share options granted. The estimate of the fair value of the share options granted in 2015 and 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	
	Batch 3	Batch 1	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 2016

45. 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*)	PRC	RMB10,000,000	–	100%	Solar power generation
敦煌萬發新能源有限公司 (Dunhuang Wanfa Technology New Energy Limited Company*) ("Dunhuang Wanfa")	PRC	RMB580,000,000 (2015: RMB80,000,000)	–	100% (note 1)	Solar power generation
江山豐融投資有限公司 (Jiangshan Fengrong Investment Company Limited*) ("Jiangshan Fengrong")	PRC	RMB1,200,000,000	–	100% (note 2)	Investment holding
麥蓋提力諾太陽能電力有限公司 (Maigaiti Linuo Solar Power Limited Company*) ("Maigaiti Linuo")	PRC	RMB46,200,000	–	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*)	PRC	RMB45,640,000	–	100%	Solar power generation

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

45. 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	
烏什縣華陽偉業太陽能科技有限公司 (Wushi Huayangweiye Solar Technology Limited Company*)	PRC	RMB44,100,000	–	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*)	PRC	RMB48,400,000	–	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	–	100%	Solar power generation
蘭州太科光伏電力有限公司 (Lanzhou Taike Photovoltaic Power Limited Company*) ("Lanzhou Taike")	PRC	RMB88,000,000	–	100%	Solar power generation
威縣天海光伏發電有限公司 (Weixian Tihein Photovoltaic Energy Limited Company*)	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 3)	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 3)	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	–	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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

45. 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	
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 4)	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	RMB Nil/RMB500,000	–	100% (note 5)	Solar power generation
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 6)	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
横山縣江山新能源有限責任公司 (Hengshan Kongsun New Energy Limited Company*)	PRC	RMB Nil/ 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	RMB5,952,589,659/ HK$8,000,000,000 (2015: 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*) ("Haidong Ruiqida")	PRC	RMB818,322 (2015:RMB35,000,000)	–	100% (note 7)	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/ HK$2,000,000,000	–	100%	Trading of solar energy related products

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

45. 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	
江山永泰投資控股有限公司 (Jiangshan Yongtai Investment Holdings Limited Company*)	PRC	RMB5,271,530,000/ RMB6,000,000,000 (2015: RMB3,671,530,000/ RMB4,000,000,000)	–	100%	Investment holding
定邊縣昂立光伏科技有限公司 (Dingbian Ang'Li Photovoltaic Technology Company Limited*) ("Dingbian Ang'Li")	PRC	RMB1,000,000	–	100%	Solar power generation
霍林郭勒競日能源有限公司 (Huolin Guole Jingri Energy Company Limited*) ("Huolin Jingri")	PRC	RMB58,000,000	–	100%	Solar power generation
樟樹市中利騰暉光伏有限公司 (Zhangshu Zhongli Tenghui Photovoltaic Power Ltd.*) ("Zhangshu Zhongli")	PRC	RMB2,000,000	–	100%	Solar power generation
千陽縣寶源光伏電力開發有限公司 (Qianyang Baoyuan Photovoltaic Power Development Co., Ltd.*) ("Qianyang Baoyuan")	PRC	RMB60,000,000	–	100%	Solar power generation
巨鹿縣明暉太陽能發電有限公司 (Julu Minghui Photovoltaic Power Ltd.*) ("Julu Minghui")	PRC	RMB60,000,000	–	100%	Solar power generation
肥西中暉光伏發電有限公司 (Feixi Zhonghui Photovoltaic Power Ltd.*) ("Feixi Zhonghui")	PRC	RMB2,000,000/ RMB40,000,000	–	100%	Solar power generation
常熟宏略光伏電站開發有限公司 (Changshu Honglu Photovoltaic Power Plants Development Co., Ltd.*) ("Changshu Honglu")	PRC	RMB1,000,000	–	100%	Solar power generation
定邊縣晶陽電力有限公司 (Dingbian Jingyang Electric Co., Ltd.*) ("Dingbian Jingyang")	PRC	RMB1,000,000/ RMB56,000,000	–	100%	Solar power generation
定邊縣萬和順新能源發電有限公司 (Dingbian Wanhe Shun New Energy Power Generation Co., Ltd.*) ("Dingbian Wanheshun")	PRC	RMB995,000/ RMB56,000,000	–	100%	Solar power generation

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

45. 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	
六安旭強新能源工程有限公司 (Liuan Xuqiang New Energy Engineering Co., Ltd.*) ("Liuan Xuqiang")	PRC	RMB Nil/ RMB30,000,000	–	100%	Solar power generation
黃石黃源光伏電力開發有限公司 (Wangshi Wangyuan Photovoltaic Power Development Co., Ltd.*) ("Wangshi Wangyuan")	PRC	RMB2,000,000/ RMB11,370,000,000	–	100%	Solar power generation
宿州旭強新能源工程有限公司 (Xiuzhou Xuqiang New Energy Engineering Co., Ltd.*) ("Xiuzhou Xuqiang")	PRC	RMB60,000,000	–	100%	Solar power generation
喀什國新電力有限公司 (Kashi Guoxin New Power Co., Ltd.*) ("Kashi Guoxin")	PRC	RMB50,000,000	–	95%	Solar power generation
濟源大峪江山光伏發電有限公司 (Jiyuan Dayu Jiangshan Guangfu Power Generation Co., Ltd.*) ("Jiyuan Dayu")	PRC	RMB15,900,000/ RMB30,000,000	–	100%	Solar power generation
宿州市雲陽新能源發電有限公司 (Suzhou Yunyang New Energy Power Generation Co., Ltd.*) ("Suzhou Yunyang")	PRC	RMB68,000,000	–	100%	Solar power generation
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")	PRC	RMB40,000,000	–	100%	Solar power generation
靖邊縣智光新能源開發有限公司 (Jingbian Zhiguang New Energy Development Co., Ltd.*) ("Jingbian Zhiguang")	PRC	RMB Nil/ RMB5,000,000	–	100%	Solar power generation

45. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

1. According to cooperation agreements dated 7 September 2016 ("Cooperation Agreements 1") entered into between the Group and 嘉興盛世神州永赢投資合夥企業（有限合夥）(Jiaxing Shengshi Shenzhou Yong Ying Investment Partnership (Limited Partnership)*) ("Jiaxing Shengshi"), Jiaxing Shengshi contributed a capital of RMB500,000,000 to Dunhuang Wanfa and holds 88.207% equity interest of Dunhuang Wanfa upon completion of the capital contribution. Pursuant to the Cooperation Agreements 1, the Group will repay Jiaxing Shengshi and Jiaxing Shengshi will transfer back the 88.207% equity interest of Dunhuang Wanfa to the Group in five equal portions, at a pre-agreed price in 2017 to 2021. In view of the Group's power to control the financial and operating polices of Dunhuang Wanfa so as to direct the relevant activities of Dunhuang Wanfa and to obtain significant economic benefits from its activities, the directors of the Company are of the opinion that the arrangement under the Cooperation Agreements 1 is in substance a financing arrangement with the pledge of the equity interests of Dunhuang Wanfa and therefore Dunhuang Wanfa is treated as a wholly-owned subsidiary of the Company.

2. According to cooperation agreements dated 3 November 2016 ("Cooperation Agreements 2") entered into between the Group and Jiaxing Shengshi, Jiaxing Shengshi contributed a capital of RMB1,200,000,000 to Jiangshan Fengrong and holds 100% equity interest of Jiangshan Fengrong upon completion of the capital contribution. Pursuant to the Cooperation Agreements 2, the Group will repay Jiaxing Shengshi and Jiaxing Shengshi will transfer back the 100% equity interest of Jiangshan Fengrong to the Group in five equal portions, at a pre-agreed price in 2017 to 2021. In view of the Group's power to control the financial and operating polices of Jiangshan Fengrong so as to direct the relevant activities of Jiangshan Fengrong and to obtain significant economic benefits from its activities, the directors of the Company are of the opinion that the arrangement under the Cooperation Agreements 2 is in substance a financing arrangement with the pledge of the equity interests of Jiangshan Fengrong and therefore Jiangshan Fengrong is treated as a wholly-owned subsidiary of the Company.

3. As at 31 December 2016 and 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.

4. As at 31 December 2016 and 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, 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.

5. As at 31 December 2016 and 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, 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

45. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: *(continued)*

6. As at 31 December 2016 and 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, 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.

7. As at 31 December 2016 and 2015, 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, 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.

46. NON-CONTROLLING INTERESTS

	2016 RMB'000
At the beginning of the year	–
Formation of a subsidiary	47,500
Acquisition of additional interest in a subsidiary	(10,000)
Profit for the year attributable to non-controlling interests	103
At the end of the year	37,603

Note:

The non-controlling interests of the subsidiaries that are not wholly-owned by the Group are considered to be immaterial.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

47. DISPOSAL OF SUBSIDIARIES

(a) As set out in note 30(b) to the financial statements, 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:

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

47. DISPOSAL OF SUBSIDIARIES *(continued)*

(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:

	RMB'000
Net liabilities disposed of:	
Property, plant and equipment (note 17)	306
Trade and other receivables	10
Cash and cash equivalents	20
Other payables and accruals	(7,267)
	(6,931)
Assignment of receivables to buyer	1,844
Release of exchange reserve upon disposal (note 15)	(85)
Gain on disposal of Lisun Plastic Group	5,709
Total consideration satisfied by cash	537

An analysis of net inflow of cash and cash equivalents in respect of disposal of Lisun Plastic Group is as follows:

	RMB'000
Cash consideration received	537
Cash and cash equivalents disposed of	(20)
Net cash inflows	517

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

47. DISPOSAL OF SUBSIDIARIES *(continued)*

(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:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 17)	19,114
Lease prepayments (note 23)	10,535
Trade and other receivables	5
Cash and cash equivalents	98
Other payables and accruals	(5,388)
Deferred tax liabilities (note 36)	(4,109)
	20,255
Release of exchange reserve upon disposal (note 15)	(882)
Gain on disposal of Regent Prospect Group	40,749
Total consideration satisfied by cash	60,122

An analysis of net inflow of cash and cash equivalents in respect of disposal of Regent Prospect Group is as follows:

	RMB'000
Cash consideration received	60,122
Cash and cash equivalents disposed of	(98)
Net cash inflows	60,024

47. DISPOSAL OF SUBSIDIARIES *(continued)*

(d) 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 21)	36,143
Cash and cash equivalents	622
Other receivables	14
Other payables and accruals	(142)
Deferred tax liabilities (note 36)	(2,426)
	34,611
Release of exchange reserve upon disposal (note 15)	623
Gain on disposal of Coast Holdings	21,006
Total consideration	56,240

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

	RMB'000
Cash consideration received	56,240
Cash and cash equivalents disposed of	(622)
Net cash inflows	55,618

48. 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
Dingbian Ang'Li (note)	28 January 2016
Zhangshu Zhongli (note)	3 February 2016
Julu Minghui (note)	3 February 2016
Changshu Honglu (note)	3 February 2016
Feixi Zhonghui (note)	1 March 2016
Huolin Jingri (note)	22 March 2016
Beijing Sihai	23 May 2016
Qianyang Baoyuan (note)	28 June 2016
Dingbian Jingyang (note)	30 June 2016
Dingbian Wanheshun (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*) ("Huangjin Dai")	28 July 2016
Wangshi Wangyuan (note)	10 August 2016
Suzhou Xuqiang (note)	21 September 2016
Kashi Guoxin (note)	27 September 2016
Suzhou Yunyang (note)	12 December 2016
Maigaiti Hengji (note)	27 December 2016
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, Jingbian Zhiguang, Kashi Guoxin, Qianyang Baoyuan and Suzhou Yunyang are generating electricity to provincial power grids.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

48. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Business combinations *(continued)*

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 (note 18)	3,544,402	–	3,544,402
Property, plant and equipment (note 17)	145	–	145
Lease prepayments (note 23)	5,019	–	5,019
Trade and other receivables, prepayments 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)
Total identifiable net assets at fair value	221,234	–	221,234
Goodwill (note 22)			60,396
Fair value of cash consideration			281,630
Purchase consideration settled in cash			281,630
Less: cash and cash equivalents in subsidiaries acquired			(71,353)
Net cash outflows			210,277

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

48. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Business combinations *(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) Changshu Honglu, Dingbian Ang'Li, Feixi Zhonghui, Zhangshu Zhongli, Julu Minghui, Qianyang Baoyuan, Huolin Jingri, Dingbian Jingyang, Dingbian Wanheshun, Beijing Sihai and Huangjin Dai have contributed revenue (including the tariff adjustment) of approximately RMB232,008,000 and net profit of approximately RMB102,424,000 to the Group since the Completion Date of Acquisitions to 31 December 2016. Had these acquisitions occurred on 1 January 2016, the management estimates that the Group's consolidated revenue and consolidated profit for the year would have been RMB696,550,000 and RMB140,727,000 respectively.

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, Artux Xingguang, Weixian Tianhei and Lanzhou Taike at a total cash consideration of RMB172,000,000. The aforementioned acquisitions were completed at the acquisition dates of 21 May 2015, 14 October 2015, 14 October 2015, 23 November 2015 and 27 November 2015 respectively (collectively referred to as 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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

48. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Business combinations *(continued)*

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	1,244,583	–	1,244,583
Trade and other receivables, prepayments 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 22)			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

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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

48. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) Acquisition of assets

During the year ended 31 December 2016, the Group acquired the equity interests in the entities set out 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 of the Company 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	100%
Jiangshan Yongche	100%
Liuan Xuqiang	100%
Jiyuan Dayu	100%

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

	RMB'000
Solar power plants under development (note 18)	381,820
Property, plant and equipment (note 17)	188
Investment properties (note 21)	1,968
Trade and other receivables	347,812
Cash and cash equivalents	7,300
Trade and other payables	(675,797)
Net assets acquired	63,291
Satisfied by:	
Cash consideration	63,291
Purchase consideration settled in cash	63,291
Less: cash and cash equivalents acquired	(7,300)
Net cash outflows	55,991

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

48. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) Acquisition of assets *(continued)*

During the year ended 31 December 2015, the Group acquired the equity interests in the entities set out 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 of the Company 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	1,192,909
Lease prepayments (note 23)	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
Purchase consideration settled in cash	65,831
Less: cash and cash equivalents acquired	(16,262)
Net cash outflows	49,569

49. 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 certain notices (the "Notices") issued by the State Energy Administration, 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 guarantees with respect to loans of approximately RMB153,000,000 (2015: RMB120,000,000) granted by Kong Sun Baoyuan to independent third parties 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 parties. 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.

50. RELATED PARTY TRANSACTIONS

(a) As set out in note 34, the loan from ultimate holding company was capitalised upon completion of the Subscription on 2 March 2016 (note 37(a)). For the year ended 31 December 2016, the interest expense arising from the loan amounted to approximately RMB12,025,000 (2015: approximately RMB4,022,000) (note 13).

(b) Remuneration for key management personnel, including the directors of the Company and the five highest paid individuals are disclosed in note 11 and note 12 respectively.

51. 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.

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

52.1 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 directors of the Company 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 financial liabilities by category is disclosed in note 52.2.

(a) Credit risk

The Group's credit risk is primarily attributable to trade, bills 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 79% (2015: 24%) of the Group's total trade, bills and other receivables as at 31 December 2016. For the remaining of the trade, bills 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, if any.

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

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

(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 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 2016 and 2015, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

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 end of reporting period. 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 32, 34 and 35 respectively.

Financial instruments with variable interest rate in nature

	2016		2015	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Net fixed rate borrowings:				
Loans and borrowings	10.25% - 10.50%	1,922,000	5.00% - 12.25%	985,778
Loan from ultimate holding company	N/A	–	5.8%	1,256,670
Corporate bonds	10.24%	400,067	10.24%	322,008
		2,322,067		2,564,456
Variable rate borrowings:				
Loans and borrowings	3.80% - 7.34%	3,938,956	4.34% - 10.58%	1,982,836
Total net borrowings		6,261,023		4,547,292
Net fixed rate borrowings as a percentage of total net borrowings		37.09%		56.40%

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

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

(b) Interest rate risk *(continued)*

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 2016, if the interest rate of loans and borrowings had been 50 (2015: 50) basis points higher/lower, the Group's profit before income tax would decrease/increase by approximately RMB19,695,000 (2015: increase/decrease in loss before income tax for the year by approximately RMB9,914,000).

(c) Currency risk

Almost all the Group's operating activities are carried out in the PRC for the years ended 31 December 2016 and 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, bills 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	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**73**	139	**–**	–
HK$	**35,991**	33,706	**–**	–
US$	**104**	–	**–**	–

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

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

(c) Currency risk *(continued)*

Foreign exchange sensitivity analysis

A 5% (2015: 5%) increase and decrease in HK$ and US$ 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% (2015: 5%) change in foreign currency rates. For a 5% (2015: 5%) strengthening of HK$ against RMB, the profit for the year would increase by approximately RMB1,796,000 (2015: the loss for the year decreased by approximately RMB1,678,000). For a 5% (2015: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit (2015: loss) for the year.

For a 5% (2015: 5%) strengthening of US$ against RMB, the profit for the year would increase by approximately RMB5,000 (2015: Nil). For a 5% (2015: Nil) weakening of US$ against RMB, there would be an equal and opposite impact on the profit (2015: loss) 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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

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

(d) Liquidity risk *(continued)*

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.

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 2016						
Trade and other payables	**2,769,806**	**2,769,806**	**2,458,496**	**311,310**	**–**	**–**
Obligations under finance leases	**353**	**387**	**137**	**125**	**125**	**–**
Corporate bonds	**400,067**	**468,981**	**25,601**	**395,370**	**48,010**	**–**
Loans and borrowings						
– Variable rate	**3,938,956**	**5,323,319**	**575,393**	**633,867**	**2,079,634**	**2,034,425**
– Fixed rate	**1,922,000**	**2,615,719**	**927,756**	**462,038**	**1,225,925**	**–**
	9,031,182	**11,178,212**	**3,987,383**	**1,802,710**	**3,353,694**	**2,034,425**
As at 31 December 2015						
Trade and other payables	2,381,840	2,381,840	2,258,240	123,600	–	–
Obligations under finance leases	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

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

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

(d) Liquidity risk *(continued)*

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.

(e) Price risk

The Group is exposed to price risk through its financial assets held for trading (note 25) at the end of the reporting period.

Listed equity securities held by the Group have been chosen based on their growth potential and are monitored regularly for performance against expectations. The management also performed analysis of the nature of market risk associated with the equity securities held for trading, including discussion with the investment advisors if applicable, and concluded that the price risk is more prominent in evaluating the market risk of this kind of investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles in accordance with the limits set by the Group and located in different jurisdictions.

Price sensitivity analysis

The policies to manage the price risk have been followed by the Group and are considered to be effective.

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period for the Group's financial assets held for trading and financial derivative contracts. A 10% increase or decrease is used as it represents management's assessment of the possible change in price of the financial assets held for trading.

If the prices of the listed equity securities held by the Group had been 10% higher/lower, the Group's profit for the year would increase/decrease by approximately RMB23,663,000 (2015: N/A) as a result of the changes in fair value of financial assets held for trading.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

52.2 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 catergorised as follows. See notes 4.11(i) and 4.11(iv) for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	2016		2015	
	Carrying Amount RMB'000	**Fair Value RMB'000**	Carrying Amount RMB'000	Fair Value RMB'000
Financial assets				
Loans and receivables:				
Trade, bills and other receivables	**2,308,502**	**2,308,502**	3,532,754	3,532,754
Structured bank deposits	**1,125,000**	**1,125,000**	700,000	700,000
Cash and cash equivalents	**628,127**	**628,127**	637,732	637,732
Available-for-sale investments	**352,730**	**352,730**	–	–
Financial assets held for trading	**236,629**	**236,629**	–	–
	4,650,988	**4,650,988**	4,870,486	4,870,486
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables	**2,769,806**	**2,769,806**	2,381,840	2,381,840
Loans and other borrowings	**5,860,956**	**5,860,956**	2,968,614	2,968,614
Obligations under finance leases	**353**	**353**	807	807
Loan from ultimate holding company	**–**	**–**	1,256,670	1,256,670
Corporate bonds	**400,067**	**400,067**	322,008	322,008
	9,031,182	**9,031,182**	6,929,939	6,929,939

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

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

52.3 Fair value measurement of financial instruments

The Group followed HKFRS 7 Financial Instruments: Disclosures which introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statements of financial position (2015: N/A) are grouped into the fair value hierarchy as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2016				
Financial assets measured at fair value				
Financial assets held for trading	**236,629**	**–**	**–**	**236,629**

The fair values of the listed equity securities classified as financial assets held for trading are determined with reference to the quoted market bid price available to the relevant stock exchanges as at the end of reporting period. Given that the relevant stock exchanges are considered as active markets, the fair values of the listed equity securities are grouped into Level 1.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

53. 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 59% as at 31 December 2016 (2015: 67%).

54. 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.

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2016 were approved and authorised for issue by the directors of the Company on 24 March 2017.

* For identification purposes

FIVE-YEAR FINANCIAL SUMMARY

The financial information relating to the year ended 31 December 2016 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

RESULTS

	Year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000 (Restated)	2012 RMB'000 (Restated)
REVENUE	**559,959**	1,736,278	524,283	7,364	6,965
PROFIT/(LOSS) FOR THE YEAR	**54,804**	(98,994)	11,667	(6,212)	(8,869)

FINANCIAL POSITION

	At 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000 (Restated)	2012 RMB'000 (Restated)
TOTAL ASSETS	**15,473,629**	10,407,395	3,497,760	252,102	234,352
TOTAL LIABILITIES	**(9,076,990)**	(7,005,198)	(1,396,251)	(24,529)	(24,266)
TOTAL EQUITY	**6,396,639**	3,402,197	2,101,509	227,573	210,086