江山控股
KongSun Holdings

Kong Sun Holdings Limited
Stock Code : 295

2018
Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS	Mr. Zeng Jianhua *(Chairman)* Mr. Hou Yue Mr. Deng Chengli Mr. Jin Yanbing
NON-EXECUTIVE DIRECTORS	Mr. Wu Tak Kong Mr. Wang Ke
INDEPENDENT NON-EXECUTIVE DIRECTORS	Mr. Miu Hon Kit Ms. Wang Fang Mr. Chen Kin Shing
AUDIT COMMITTEE	Mr. Miu Hon Kit *(Chairman)* Ms. Wang Fang Mr. Chen Kin Shing
NOMINATION COMMITTEE	Mr. Chen Kin Shing *(Chairman)* Mr. Miu Hon Kit Ms. Wang Fang Mr. Zeng Jianhua *(appointed on 18 April 2018)*
REMUNERATION COMMITTEE	Ms. Wang Fang *(Chairman)* Mr. Miu Hon Kit Mr. Chen Kin Shing Mr. Zeng Jianhua *(appointed on 18 April 2018)*
REGISTERED OFFICE	Unit 1209–10, 12/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong
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	Mr. Wong Ying Kit
AUTHORISED REPRESENTATIVES	Mr. Jin Yanbing Mr. Wong Ying Kit

Corporate Information *(continued)*

AUDITOR	BDO Limited
LEGAL ADVISOR AS TO HONG KONG LAWS	Sidley Austin
STOCK CODE	295
CONTACT INFORMATION	Tel : +852 3188 8851 Fax : +852 3186 2916 Website : www.kongsun.com
INVESTOR RELATIONS	Email : kongsun@wsfg.hk

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 2018.

In 2018, the Chinese government devoted more attention to the use of clean energy such as solar power and wind power. The National Development and Reform Commission and the National Energy Administration jointly issued the Clean Energy Consumption Action Plan (2018-2020)* (《清潔能源消納行動計劃（2018-2020年）》), which explicitly requires the utilisation rate of solar power to be higher than 95%, and the power redundancy rate to be less than 5%. Meanwhile, the document also adopted various measures such as accelerating the reform of the electricity market, implementing the renewable energy power quota system, and implementing the prioritised clean energy power generation system, thereby strengthening its support for clean energy power generation.

In view of the technological advancements and the continuous decrease in system costs, the Chinese government also actively promoted grid parity of solar power generation. In January 2019, the National Development and Reform Commission and the National Energy Administration jointly issued the Notice on Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power without Subsidies* (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》), showing signs of implementing favorable policies and offering direct promotion and strong supports to the development of solar power generation industry in 2019 and beyond.

In 2018, with stable financial position and pragmatic operating strategies, the Group continued to strive for healthy business development. As at 31 December 2018, the Group has 48 grid-connected solar power plants in Shaanxi, Xinjiang, Gansu, Anhui, Zhejiang, Hebei, Jiangxi, Shandong, Inner Mongolia, Hubei, Henan, Shanxi, Jiangsu and Qinghai in China. As at 31 December 2018, the total installed capacity of the Group reached 1,789.3 megawatt ("MW"), and its total power generation volume was approximately 2,190,064 megawatt-hour ("MWh") in 2018, representing a significant surge of approximately 39.8% as compared to the corresponding period last year. Meanwhile, the Group continued to explore other clean energy investment opportunities, expand its liquefied natural gas trading business, and engage in the technology-based financial business involving internet microfinance, finance leases and commercial factoring. In 2018, the Group recorded a revenue of approximately RMB1,881,004,000, representing an increase of approximately 47.1% as compared to the corresponding period last year; gross profit for the year amounted to approximately RMB1,120,612,000, representing an increase of approximately 36.4% as compared to the corresponding period last year.

In the future, by focusing on clean energy and green finance, the Group will continue to develop its solar power generation business, optimise its operation mode, enhance the efficiency of equipment in solar power plants and accelerate its pace in transforming to asset-light model. Through integration of industry and finance, it will also improve its operational efficiency, so as to drive the development of green and low-carbon energy in China and make positive contributions to environmental protection.

Finally, I would like to take this opportunity to express my gratitude to our shareholders, customers and suppliers for their continuous support and trust; and to all of our Directors, management team and staffs of the Group for their contribution to the Group. The Group will continue its business development with a view to maximise returns to its shareholders as a whole.

Zeng Jianhua
Chairman

Hong Kong, 25 March 2019

Financial Highlights

	2018 **RMB'000**	2017 RMB'000
Revenue	**1,881,004**	1,278,704
Gross Profit	**1,120,612**	821,673
Profit for the year	**16,277**	120,053
Earnings per share attributable to owners of the Company for the year		
— Basic (RMB cents)	**0.10**	0.80
— Diluted (RMB cents)	**0.10**	0.79
Total non-current assets	**15,417,621**	15,565,330
Total current assets	**5,002,495**	4,444,762
Total assets	**20,420,116**	20,010,092
Total non-current liabilities	**10,946,138**	8,788,538
Total current liabilities	**2,870,150**	4,675,063
Total liabilities	**13,816,288**	13,463,601
NET ASSETS	**6,603,828**	6,546,491

Management Discussion and Analysis

BUSINESS REVIEW

The Company is an investment holding company with its subsidiaries mainly engaged in investment in and operation of solar power plants, provision of solar power plants operation and maintenance services, provision of financial services, trading of liquefied natural gas and asset management.

SOLAR POWER PLANTS BUSINESS

During the year ended 31 December 2018, the Group continued its investment in and development of solar power plants in the People's Republic of China (the "PRC"). As at 31 December 2018, the Group had a total of 1,789.3 MW completed solar power plants as follows:

Completed solar power plants

PRC Province	Number of solar power plants as at 31 December 2018	Capacity of solar power plants
Xinjiang	11	240.0 MW
Gansu	7	238.5 MW
Shaanxi	8	610.0 MW
Inner Mongolia	2	40.0 MW
Shanxi	1	20.0 MW
Hebei	4	101.0 MW
Henan	2	120.0 MW
Shandong	2	40.0 MW
Anhui	5	160.0 MW
Jiangsu	1	20.0 MW
Zhejiang	2	119.8 MW
Jiangxi	1	30.0 MW
Hubei	1	30.0 MW
Qinghai	1	20.0 MW
Total	**48**	**1,789.3 MW**

SOLAR POWER PLANTS BUSINESS *(continued)*

As at 31 December 2018, the Group had the following wholly-owned, ground-mounted solar power plants under construction:

Solar power plants under construction

PRC Province	Number of solar power plants as at 31 December 2018	Capacity of solar power plants
Shandong	1	50.0 MW
Anhui	1	20.0 MW
Total	**2**	**70.0 MW**

PROVISION OF FINANCIAL SERVICES

The total revenue arising from the provision of financial services decreased by approximately 5.7% from approximately RMB13,663,000 for the year ended 31 December 2017 to approximately RMB12,891,000 for the year ended 31 December 2018.

SECURITIES INVESTMENT

As at 31 December 2018, the Group managed a portfolio of investments in capital markets with fair value of approximately RMB81,143,000 (2017: RMB200,281,000). The portfolio of investments managed by the Group consists of investment in one listed equity in Hong Kong (2017: two listed equities in Hong Kong and in the PRC). The Group will remain watchful on market developments and will continue to be prudent in managing its investment portfolio with a continuing focus on improving overall assets quality. For the year ended 31 December 2018, the Group had recorded a net unrealised gain on fair value changes of financial assets measured at fair value through profit or loss which amounted to approximately RMB5,864,000 (2017: net unrealised loss of approximately RMB31,619,000). During the year ended 31 December 2018, the Group disposed of all of its listed equity investment in the PRC at a cash consideration of approximately RMB75,062,000 and resulting in a net realised loss on disposal of financial assets measured at fair value through profit or loss amounted to approximately RMB53,613,000 (2017: Nil). For further details, please refer to the paragraph headed “Results of Operations — Financial Assets Measured at Fair Value through Profit or Loss/Financial assets held for trading” in this report.

RESULTS OF OPERATIONS

Revenue

The revenue of the Group increased by approximately 47.1% from approximately RMB1,278,704,000 for the year ended 31 December 2017 to approximately RMB1,881,004,000 for the year ended 31 December 2018. The increase was primarily due to the increase in revenue from sales of electricity.

Revenue from sales of electricity and provision of solar power plant operation and maintenance services

The Group's revenue from sales of electricity increased by approximately 38.2% from approximately RMB1,254,701,000 for the year ended 31 December 2017 to approximately RMB1,734,187,000 for the year ended 31 December 2018 due to the increased in aggregate volume of electricity generated by the Group's grid-connected solar power plants during the year. The solar power plants owned by the Group have generated electricity in an aggregate volume of approximately 2,190,064 MWh for the year ended 31 December 2018, representing a substantial increase of approximately 39.8% as compared to approximately 1,566,354 MWh for year ended 31 December 2017.

The Group's revenue from provision of solar power plant operation and maintenance services decreased by approximately 70.0% from approximately RMB6,482,000 for the year ended 31 December 2017 to approximately RMB1,943,000 for the year ended 31 December 2018 mainly due to the expiry of certain solar power plant operation and maintenance services contracts.

Revenue from provision of financial services

The Groups' revenue arising from the provision of financial services decreased by approximately 5.7% from approximately RMB13,663,000 for the year ended 31 December 2017 to approximately RMB12,891,000 for the year ended 31 December 2018.

Revenue from trading of liquefied natural gas

The Group had, for the first time, generated revenue from trading of liquefied natural gas of approximately RMB131,659,000 (2017: Nil) for the year ended 31 December 2018.

Gross profit and gross profit margin

The gross profit of the Group increased significantly by approximately 36.4% from approximately RMB821,673,000 for the year ended 31 December 2017 to approximately RMB1,120,612,000 for the year ended 31 December 2018. The gross profit margin of the Group decreased from approximately 64.3% for the year ended 31 December 2017 to approximately 59.6% for the year ended 31 December 2018 mainly due to the new business segment of trading of liquefied natural gas in 2018, which has a lower gross profit margin than the business segment of solar power plants.

RESULTS OF OPERATIONS *(continued)*

Other gains and losses

Other gains of the Group increased significantly by approximately 4,401.4% from approximately RMB920,000 for the year ended 31 December 2017 to approximately RMB41,413,000 for the year ended 31 December 2018. The increase is mainly due to (i) the increase in dividend income amounted to approximately RMB21,232,000; (ii) the net unrealised gain on fair values changes on financial assets measured at fair value through profit or loss of approximately RMB5,864,000 (2017: Net unrealised loss of approximately RMB31,619,000); and (iii) the office sublease income of approximately RMB33,782,000 (2017: Nil). The increase in other gains of the Group is partially netted off by the net realised loss on disposal on financial assets measured at fair value through profit or loss amounted to approximately RMB53,613,000 as a result of the disposal of the listed equity investment in the PRC during the year ended 31 December 2018.

Administrative expenses

Administrative expenses of the Group increased by approximately 26.6% from approximately RMB325,549,000 for the year ended 31 December 2017 to approximately RMB412,178,000 for the year ended 31 December 2018. The increase was mainly attributable to (i) an increase in total employee benefit expenses of approximately RMB42,944,000 due to salary increment of top management with effect from 1 January 2018 and an increase in head count; and (ii) an increase in office rental expenses of approximately RMB22,891,000.

Gain on bargain purchase on acquisition of subsidiaries

Gain on bargain purchase on acquisition of subsidiaries represents the excess of the fair value of the identifiable assets acquired and liabilities assumed for the acquisition over fair value of consideration transferred at acquisition. The gain on bargain purchase during the year ended 31 December 2018 amounted to approximately RMB2,504,000 (2017: RMB53,260,000) as a result of acquisition of certain subsidiaries during the year. For details, please refer to note 46 to the financial statements in this report.

Gain on disposal/deregistration of subsidiaries, net

During the year ended 31 December 2018, the Group disposed/deregistered certain subsidiaries and recorded net gain on disposal/deregistration of subsidiaries of approximately RMB2,693,000 (2017: RMB12,031,000). For details, please refer to note 47 to the financial statements in this report.

Finance costs

Finance costs of the Group increased by approximately 60.8% from approximately RMB463,548,000 for the year ended 31 December 2017 to approximately RMB745,545,000 for the year ended 31 December 2018. As the average number of and the average total installed capacity of the solar power plants held by the Group increased during the year, the finance costs related to the borrowings of the respective solar power plants also increased.

Solar power plants

As at 31 December 2018, the Group had a net carrying amount of approximately RMB12,160,658,000 (2017: RMB11,634,405,000) and approximately RMB433,798,000 (2017: RMB1,572,080,000) in completed solar power plants and solar power plants under construction, respectively. As at 31 December 2018, the Group had a total of 1,789.3 MW installed capacity of completed solar power plants, comparing to the 1,819.3 MW installed capacity of solar power plants as at 31 December 2017.

RESULTS OF OPERATIONS *(continued)*

Interest in a joint venture

As at 31 December 2018, the net carrying amount of the joint venture was approximately RMB331,922,000 (2017: RMB321,421,000).

The Group executes a guarantee with respect to a loan of approximately RMB92,873,000 (2017: RMB138,211,000) granted by independent third parties to 江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*) ("Kong Sun Baoyuan") as at 31 December 2018, under which the Group is liable to pay the proportionate share if the independent third parties are unable to recover the loan from Kong Sun Baoyuan. 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.

Goodwill

As at 31 December 2018, the Group had a total amount of approximately RMB149,197,000 (2017: RMB148,451,000) in respect of goodwill on the acquisition of subsidiaries.

Financial assets measured of fair value through other comprehensive income/Available-for-sale investments

Financial assets measured of fair value through other comprehensive Income/Available-for-sale investments increased by approximately 29.9% from approximately RMB1,576,206,000 as at 31 December 2017 to approximately RMB2,047,434,000 as at 31 December 2018. The increase is mainly due to (i) the capital contribution paid in 蘇州君盛晶石股權投資合夥企業(有限合夥) (Suzhou Junsheng Jingshi Equity Investment Partnership (Limited Partnership)*) amounted to RMB400,000,000; (ii) the additional capital contribution paid in 台州久安股權投資合夥企業(有限合夥) (Taizhou Jiuan Equity Investment Partnership (Limited Partnership)*) amounted to RMB100,000,000; and (iii) the additional capital contribution paid in 霍爾果斯鑫和優美股權投資合夥企業(有限合夥) (Huoerguosi Xinheyoumei Equity Investment Limited Partnership*) amounted to approximately RMB59,227,000. The increase is partially netted off by the fair value loss on financial assets measured at fair value through other comprehensive income amounted to approximately RMB71,452,000. The investments are held for long-term investment purpose and hence are classified as financial assets measured at fair value through other comprehensive income in the consolidated statement of financial position. For details, please refer to note 24 to the financial statements in this report.

Financial assets measured of fair value through profit or loss/Financial assets held for trading

As at 31 December 2018, the Group had financial assets measured at fair value through profit or loss/financial assets held for trading with market value of approximately RMB81,143,000 (2017: RMB200,281,000), representing approximately 0.4% (2017: 1.0%) of the total assets of the Group as at 31 December 2018. The portfolio of investments managed by the Group consists of investment in one listed equity in Hong Kong (2017: two listed equities in Hong Kong and in the PRC). The Group held approximately 1.3% (2017: 1.3%) shareholding in the equity listed in Hong Kong as at 31 December 2018. During the year ended 31 December 2018, the Group had recorded a net unrealised gain on fair value changes of financial assets measured at fair value through profit or loss which amounted to approximately RMB5,864,000 (2017: net unrealised loss of approximately RMB31,619,000). During the year ended 31 December 2018, the Group disposed of all of its listed equity investment in the PRC at a cash consideration of approximately RMB75,062,000 and resulting in a net realised loss on disposal of financial assets measured at fair value through profit or loss amounted to approximately RMB53,613,000 (2017: Nil).

RESULTS OF OPERATIONS *(continued)*

Trade, bills and other receivables

Trade, bills and other receivables increased by approximately 22.3% from approximately RMB3,797,732,000 as at 31 December 2017 to approximately RMB4,646,076,000 as at 31 December 2018. The increase was mainly due to an increase in trade and bills receivables from approximately RMB1,949,115,000 as at 31 December 2017 to approximately RMB2,477,839,000 as at 31 December 2018 which mainly arose from the increase in sales of electricity.

Structured bank deposits

As at 31 December 2018, the Group placed approximately RMB9,230,000 structured 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 Group. The deposits were withdrawn in January 2019.

Trade and Other Payables

Trade and other payables decreased by approximately 49.0% from approximately RMB3,733,808,000 as at 31 December 2017 to approximately RMB1,903,547,000 as at 31 December 2018. The balance mainly comprised payables to suppliers of solar modules and equipment and Engineering Procurement Construction ("EPC") contractors for purchase of solar modules and equipment and construction costs of solar power plants. Due to the settlement of construction costs after the completion of substantial solar power plants construction work during the year ended 31 December 2018, trade payables, which was mainly related to construction costs of solar power plants, have decreased by approximately 55.4% from approximately RMB3,345,134,000 as at 31 December 2017 to approximately RMB1,493,153,000 as at 31 December 2018.

Liquidity and Capital Resources

As at 31 December 2018, cash and cash equivalents of the Group was approximately RMB256,310,000 (2017: RMB445,638,000), which included an amount of bank balances of approximately RMB245,790,000 (2017: RMB426,409,000) denominated in RMB 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 denominated in Hong Kong dollar and placed with banks in Hong Kong.

As at 31 December 2018, the Group's net debt ratio, which was calculated by the total loans and borrowings and corporate bonds minus total cash and cash equivalents and structured bank deposits, over total equity, was approximately 1.76 (2017: 1.42).

Capital Expenditure

During the year ended 31 December 2018, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB7,192,000 (2017: RMB24,387,000) and approximately RMB222,743,000 (2017: RMB2,136,818,000), respectively.

RESULTS OF OPERATIONS *(continued)*

Loans and Borrowings

As at 31 December 2018, the Group's total loans and borrowings was approximately RMB11,617,235,000, representing an increase of approximately RMB2,277,297,000, compared to approximately RMB9,339,938,000 as at 31 December 2017. 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 RMB5,283,000 (2017: RMB8,359,000) which were denominated in Hong Kong dollar, were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC. As at 31 December 2018, loans and borrowings of approximately RMB4,918,000,000 (2017: RMB3,652,000,000) and approximately RMB6,699,235,000 (2017: RMB5,687,938,000) bear fixed interest rate and floating interest rate, respectively.

As at 31 December 2018, out of the total borrowings, approximately RMB890,610,000 (2017: RMB595,471,000) was repayable within one year and approximately RMB10,726,625,000 (2017: RMB8,744,467,000) was repayable after one year. For details, please refer to note 33 to the financial statements in this report.

Corporate bonds

As at 31 December 2018, corporate bonds denominated in Hong Kong dollar with an aggregate principal amount of HK$344,000,000 (equivalent to approximately RMB301,413,000) (2017: HK$477,000,000 (equivalent to approximately RMB402,656,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 9% (2017: 6%) per annum, and will mature on the date immediately following 3 to 96 months (2017: 36 months) after their issuance.

During the year ended 31 December 2018, the Group issued corporate bonds with an aggregate principal amount of HK$290,500,000 (equivalent to approximately RMB254,536,000) (2017: Nil) to certain independent third parties, the net proceeds of the issued corporate bonds received by the Company were approximately HK$257,727,000 (equivalent to approximately RMB225,820,000) (2017: Nil), with total issue cost amounting to approximately HK$32,773,000 (equivalent to approximately RMB28,716,000) (2017: Nil).

During the year ended 31 December 2018, the Group repaid HK$423,500,000 (equivalent to approximately RMB371,071,000) (2017: Nil) in aggregate principal amount of the corporate bonds.

The corporate bonds are measured at amortised cost using effective interest method by applying an effective interest rate ranging from 10.24% to 12.00% (2017: 10.24%) per annum. Imputed interest of approximately HK$44,200,000 (equivalent to approximately RMB37,318,000) (2017: HK$43,523,000 (equivalent to approximately RMB37,710,000)) (note 13 to the financial statements in this report) in respect of the corporate bonds was recognised in profit or loss during the year ended 31 December 2018.

RESULTS OF OPERATIONS *(continued)*

Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the year ended 31 December 2018, 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 2018, the Group had charged solar power plants, trade receivables, lease prepayments and unlisted equity investments with net book value of approximately RMB8,027,467,000 (2017: RMB7,455,097,000), approximately RMB1,713,102,000 (2017: RMB921,851,000), approximately RMB774,000 (2017: RMB821,000) and approximately RMB813,158,000 (2017: RMB830,269,000), respectively, to secure bank loans and other loans facilities granted to the Group.

Save as disclosed above and in note 33 to the financial statements in this report, during the year ended 31 December 2018, the Group has no other charges on assets.

Contingent Liabilities

The Group acquired equity interests of certain subsidiaries principally engaged in the development of solar power plant projects and the applications for the development of these solar power plant projects were actually made 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 government authorities for the solar power plants projects from transferring the equity interests of solar power plant projects before such solar power plants were connected to the power grid. Taking into consideration the legal opinion obtained from the Company's legal adviser as to PRC law, and given that the Group has obtained the preliminary approval from respective relevant government authorities to continue with the development of the solar power plants, the Company's legal adviser as to PRC law is of the view that the possibility for these subsidiaries to be fined or to face other adverse consequences imposed by the relevant government authorities is remote. Accordingly, the Directors consider there is no significant impact on the Group's control over these subsidiaries and the development of these solar power plants.

Save as disclosed above, during the year ended 31 December 2018, the Group has no other significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2018, the Group had approximately 849 employees (2017: 829) 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 2018, the total employee benefit expenses (including directors' emoluments) were approximately RMB253,776,000 (2017: RMB210,539,000). For details, please refer to note 10 to the financial statements to this report. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short-term bonuses and long-term rewards such as share 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 on 22 July 2009 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

CONNECTED TRANSACTION

During the year ended 31 December 2017, the Group entered into the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14 and Chapter 14A of the Listing Rules.

On 13 December 2017, a wholly-owned subsidiary of the Company (the "Purchaser"), entered into the acquisition agreement (the "Baoqian Acquisition Agreement") with 中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.*), a company established in the PRC (the "Vendor"), pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell 30% of the equity interests in 廣州寶乾小額貸款有限公司 (Guangzhou Baoqian Microfinance Limited*) ("Guangzhou Baoqian") at a consideration of RMB35,000,000, which shall be settled in full by the Purchaser by way of one-off payment within thirty (30) days from the date of transfer of 30% of the equity interests in Guangzhou Baoqian to the name of the Purchaser. Immediately before the above acquisition, the equity interests in Guangzhou Baoqian was held as to 65% by the Purchaser, 30% by the Vendor and 5% by an independent third party to the Group. Upon completion of the above acquisition, Guangzhou Baoqian will continue to be a non-wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Group. As at 31 December 2018 and 2017, the above acquisition has not been completed.

As at the date of the Baoqian Acquisition Agreement, the Vendor was interested in 30% of the equity interests in Guangzhou Baoqian, a non-wholly-owned subsidiary of the Company. Therefore, the Vendor is a substantial shareholder of Guangzhou Baoqian, and is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Accordingly, the Baoqian Acquisition Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Company intends to hold the equity interests in Guangzhou Baoqian as long-term investment with an objective to improve the capital usage efficiency and earn reasonable investment return. Based on the above, the Directors (including the independent non-executive Directors) consider that the Baoqian Acquisition Agreement has been entered into on normal commercial terms and is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

After further negotiation and discussion, the Purchaser and the Vendor decided not to proceed with the Baoqian Acquisition Agreement and entered into a termination agreement to terminate the Baoqian Acquisition Agreement on 24 January 2019.

For details, please refer to the announcements of the Company dated 13 December 2017 and 24 January 2019.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this report, the Group did not have any other significant investments, other material acquisition or disposal during the year ended 31 December 2018, and there was no plan authorised by the Board for other material investments or additions of capital assets up to the date of this report.

PROSPECT

In recent years, many countries in the world have devoted greater effort in the development and utilisation of renewable energy. Solar power has become one of the best alternatives to traditional energy due to its cleanliness and renewability. In 2018, the global solar power generation market maintained a strong growth, with an additional annual installed capacity of over 104 gigawatt ("GW")^ and an accumulated installed capacity of over 509GW, showing positive development momentum.

Meanwhile, although the new "31 May" policy promulgated in China has brought certain impacts on the industry, China's solar power installed capacity managed to maintain a rapid growth. In 2018, China's solar power additional installed capacity amounted to 44.26GW, which was second only to 2017 and ranked first in the world for six consecutive years. Its accumulated installed capacity reached 174GW, ranking first in the world for four consecutive years. With the dawn of a new age of grid parity, it is expected that the market in China will maintain its steady growth momentum in 2019 with enormous market potentials in the future.

Looking forward, grasping the golden opportunities in the solar power generation industry, the Group will continue to pursue its strategies on the investment and operation of solar power plants, optimise its power asset allocation, actively participate in power trading market, strive to increase its revenue from power generation and expand its liquefied natural gas trading business. Through integration of industry and finance, it will also promote the development of green finance and financial inclusion businesses so as to maximise its asset income and further strengthen the overall competitiveness and influence of the Group in the industry for enhancing and consolidating its position as a leading enterprise in the solar power generation industry in China.

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^ Based on the data published by Solar Power Europe, a trade association in Europe

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zeng Jianhua

aged 61, joined the Group and was appointed as the Chairman of the board of Directors, an executive Director and the Chief Executive Officer 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. Hou Yue

aged 45, was appointed as an executive Director of the Company on 13 April 2017. Mr. Hou joined the Group since 2015 and acted as the vice president of a wholly-owned subsidiary of the Company, during the period from August 2015 till December 2016. Mr. Hou was appointed as the president of a wholly-owned subsidiary of the Company, since January 2017. Mr. Hou is a senior economist and a visiting scholar of University of California, San Jose. Prior to joining the Group, Mr. Hou was the vice president of Hunan Caixin Investment Holdings Co., Ltd. from January 2014 till July 2015. Mr. Hou was the vice general manager of Changsha Tongchen Industrial Group Co., Ltd.* (長沙通程實業(集團)有限公司) from October 2011 till December 2013. During the period from November 2002 till September 2011, Mr. Hou acted as the general manager, chairman and legal representative of Changsha Wohua Economy & Trade Co., Ltd.* (長沙沃華經貿有限公司) Prior to such, he acted as the business analyst, office manager, vice general manager and general manager of Changsha Food Trading Company* (長沙市副食品經營公司). Since December 2015, Mr. Hou has been serving as a director and the vice chairman of the board of directors of Huatian Hotel Group Co., Ltd. (a Company listed on the Shenzhen Stock Exchange, stock code: 428). He obtained his master's degree in economics and management from Huazhong University of Science and Technology in 2012.

Mr. Deng Chengli

aged 46, was appointed as an executive Director of the Company on 13 April 2017. Mr. Deng joined the Group since 2015. During the period from April 2015 to March 2017, Mr. Deng acted as the financial controller of a wholly-owned subsidiary of the Group; since March 2017, Mr. Deng acted as the vice president of a wholly-owned subsidiary of the Group; and since December 2017, Mr. Deng acted as the president of a wholly-owned subsidiary of the Group. Mr. Deng has obtained the Credentials of Certified Public Accountants issued by the Ministry of Finance of the PRC. Prior to joining the Group, Mr. Deng has over 15 years of experience working in finance-related matters and had acted as the departmental general manager and director of various sizeable corporations in the PRC. He obtained his master's degree in accounting from Xiamen University in 2007.

EXECUTIVE DIRECTORS *(continued)*

Mr. Jin Yanbing
aged 40, was appointed as an executive Director, the Chief Financial Officer and authorised representative of the Company on 13 April 2017. Mr. Jin joined the Group in March 2017 as the financial controller of a wholly-owned subsidiary of the Group. Mr. Jin has more than 15 years of finance management experience from his prior experience in finance management of large-scale enterprises. Mr. Jin also has experience in financial management, corporate financing, risk management and team management, and has participated in large-scale outbound merger and acquisition and has led the listing and privatisation of listed companies in Hong Kong. During the period from August 2002 till June 2003, Mr. Jin worked as a project manager in a local accounting firm in the PRC. From July 2003 till September 2004, Mr. Jin worked as an account manager in Lenovo Group Ltd. From September 2004 till January 2006, he worked as a business commissioner of the mobile communication division of Siemens Ltd., China. From January 2006 till September 2007, Mr. Jin worked as a business manager of the business management department of Flextronics China Electronics Co., Ltd. From October 2007 till March 2017, Mr. Jin worked in various positions in Aluminum Corporation of China (a key state-owned enterprise directly supervised by the central government) and its subsidiaries, including a project manager of the finance department, vice-manager of the finance department of the overseas arm and manager of the finance department, vice financial controller of the finance department and deputy director of the capital operations department. From March 2015 till May 2016, Mr. Jin acted as an executive director and CFO of Chinalco Mining Corporation International, a company of which shares were previously listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and privatised since 14 March 2017. Mr. Jin obtained an undergraduate degree and a master's degree in accounting from Nankai University in July 1999 and July 2002, respectively.

NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Kong
aged 53, was appointed as a non-executive Director of the Company on 14 November 2017. Mr. Wu is a practising certified public accountant in Hong Kong and has over 30 years of experience in the field of accountancy. Since September 2011, Mr. Wu has been the chief executive officer of a consultant firm providing financial and compliance professional services. He is also a director of a certified public accountants company providing auditing and other professional services. Mr. Wu previously held managerial positions across financial, professional, manufacturing, trading and retailing industries. He had served at Kao Chemicals (Hong Kong) Limited for 11 years to lead the cross-borders accounting departments. Mr. Wu holds a Master's Degree in Business Administration from The Hong Kong Polytechnic University. He is an ordinary member of Hong Kong Securities and Investment Institute, a practising and associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wu is currently an independent non-executive director of Ta Yang Group Holdings Limited, a company listed on the Stock Exchange, (stock code: 1991).

Mr. Wang Ke
aged 34, was appointed as a non-executive Director of the Company on 14 November 2017. Mr. Wang has over 8 years of experience in the field of investments. Since February 2015, Mr. Wang has been a director at Magic Assets Limited, a company providing investment and finance consultancy services. From 2014 to 2016, Mr. Wang was senior vice president at Pohua JT Management Limited. Mr. Wang previously held positions as investment manager at China Gas Holdings Limited (Stock Code: 384), a company listed on the Stock Exchange, from January 2014 to August 2014, and as investment manager at China Kingho Energy Group Co., Ltd. from August 2010 to August 2011. Mr. Wang received a Master of Arts in Global Business Management from the City University of Hong Kong in 2012. Mr. Wang is currently an executive director of Carry Wealth Holding Limited, a company listed on the Stock Exchange, (stock code: 643).

Biographical Details of Directors and Senior Management *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Miu Hon Kit
aged 51, joined the Group on 8 July 2014, Mr. Miu is a qualified accountant with over 23 years of professional experience in auditing, accounting, compliance, corporate finance and private equity investments. Mr. Miu is currently holding Type 1 (Dealing in Securities),Type 4 (Advising on Securities) and Type 9 (Asset Management) licences for regulated activities by the SFC under the Securities and Future Ordinance. 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. Chen Kin Shing
aged 51, joined the Group on 13 April 2017. Mr. Chen has over 23 years of experience within the finance industry and has gained extensive experience in regulatory matters by different regulatory authorities and extensive knowledge in a wide range of Equities, Derivatives, Fixed Income and Foreign Exchange asset classes. Mr. Chen had worked for various financial institutions including Alpha Alliance Finance Holdings Limited and Guotai Junan Securities (Hong Kong) Limited. Mr. Chen has become the responsible officers for various regulated activities as defined under the SFO since 2003, including type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (Asset Management). Mr. Chen obtained his Bachelor's degree in Social Science from The Chinese University of Hong Kong in 1990.

Ms. Wang Fang
aged 47, was appointed as an independent non-executive Director 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 25 years of experience working in finance-related matters and had acted as the financial controller and finance manager of various sizeable corporations in the PRC in the past.

SENIOR MANAGEMENT

Mr. Wong Ying Kit
aged 40, was appointed as the Company secretary and the authorised representative of the Company on 28 April 2017. Mr. Wong, joined the Group in May 2016 as the deputy chief financial officer. Mr. Wong obtained his undergraduate degree in accountancy from The Hong Kong Polytechnic University and a master's degree in corporate governance from The Hong Kong Polytechnic University in 2002 and 2015, respectively. Mr. Wong has over 15 years of professional experience in auditing and financial management. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

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 (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 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are investment in and operation of solar power plants, provision of solar power plant operation and maintenance services, provision of financial services, trading of liquefied natural gas and asset management.

RESULTS AND DIVIDEND

The profit of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 87.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

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

Dividend Policy

Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

(i) financial results;

(ii) shareholders' interests;

(iii) general business conditions and strategies;

(iv) capital requirements;

(v) taxation considerations;

(vi) contractual, statutory and regulatory restriction, if any; and

(vii) any other factors that the Board may deem relevant.

Subject to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the articles of association of the Company (the "Articles"), the Company may from time to time declare dividends to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

The Board may also from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the position of the Company. In accordance with the Articles, dividends may be declared and paid out of the profits of the Company. The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose for which the profits of the Company may be properly applied.

RESULTS AND DIVIDEND *(continued)*

The Company does not have any pre-determined payout ratio.

Any amendments to this dividend policy must be approved by the Board.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in the Chairman's Statement on pages 4 to 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 7 to 17 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year ended 31 December 2018 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 utilised. The Group strives to become an environmental-friendly corporation by saving electricity and encouraging recycling of office supplies and other materials.

During the year ended 31 December 2018, 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 recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to 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.

Policy risk

Policies made by the Government have a pivotal role in the solar power industry. Any alternation in the preferential tax policies, on-grid tariff subsidies, generation dispatch priority, incentives, laws and regulations would cause substantial impact on the solar power industry. Although the Chinese Government has been supportive in aiding the growth of the renewable industry by carrying out a series of favorable measures, it is possible that these measures will be modified abruptly. In order to minimise risks, the company will follow rules set out by the government strictly, and will pay close attention to policy makers in order to foresee any disadvantageous movements.

Grid curtailment risk

As impacted by economic slowdown, structural changes in the economy, and the implementation of energy conservation policy, China has experienced a mild rise in electricity consumption. With the growth in power generating capacity outpaced electricity consumption growth, it has led to utilization decline for power generating capacity across the country since 2014. Although solar power has a higher dispatch priority over conventional power generation in China, given electricity generated from areas with rich solar energy resources cannot be fully consumed in the provinces, and the excess electricity cannot be transmitted to other regions with higher power demand given limited power transmission capacity, grid curtailment has become an issue with high degree of concern for solar power. In this regard, the Group mainly focuses on developing solar power projects in regions with well-developed inter-provincial power transmission network or with strong domestic power demand, hence, minimising grid curtailment risk.

Risk associated with tariff

Power tariff is one of the key earning drivers for the company. Any adjustment in tariff might have an impact on the profitability of new solar power projects. Given China's NDRC targets to accelerate the technology development for solar power industry in order to bring down development costs, hence, lowering solar power tariff to the level of coal-fired power by near future, the government subsidy for solar power industry will finally be faded out. To minimise this risk, the Company will continue to expedite technology development and implement cost control measures in order to lower development and operating costs.

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.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY *(continued)*

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.

FINANCIAL STATEMENTS

The financial performance of the Group for the year ended 31 December 2018 and the financial position of the Group as at that date are set out on pages 87 to 90.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2018 are set out on page 91.

DISTRIBUTABLE RESERVES

At 31 December 2018 and 2017, the Company had no reserves available for distribution.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 200 of this annual report.

FIXED ASSETS

Details of movements during the year ended 31 December 2018 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 2018 and as at that date are set out in note 37 to the financial statements.

CONNECTED TRANSACTION

During the year ended 31 December 2018, the Group did not enter into any connected transactions.

During the year ended 31 December 2017, the Group entered into the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14 and Chapter 14A of the Listing Rules.

Acquisition of additional 30% equity interests in a subsidiary from connected person

On 13 December 2017, a wholly-owned subsidiary of the Company (the "Purchaser"), entered into the acquisition agreement (the "Baoqian Acquisition Agreement") with 中科恒源科技股份有限公司 (Zhongke Hengyuan Technology Co., Ltd.*), a company established in the PRC (the "Vendor"), pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell 30% of the equity interests in 廣州寶乾小額貸款有限公司 (Guangzhou Baoqian Microfinance Limited*) ("Guangzhou Baoqian") at a consideration of RMB35,000,000, which shall be settled in full by the Purchaser by way of one-off payment within thirty (30) days from the date of transfer of 30% of the equity interests in Guangzhou Baoqian to the name of the Purchaser. Immediately before the above acquisition, the equity interests in Guangzhou Baoqian was held as to 65% by the Purchaser, 30% by the Vendor and 5% by an independent third party to the Group. Upon completion of the above acquisition, Guangzhou Baoqian will continue to be a non-wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Group. As at 31 December 2018 and 2017, the above acquisition has not been completed.

As at the date of the Baoqian Acquisition Agreement, the Vendor was interested in 30% of the equity interests in Guangzhou Baoqian, a non-wholly-owned subsidiary of the Company. Therefore, the Vendor is a substantial shareholder of Guangzhou Baoqian, and is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Accordingly, the Baoqian Acquisition Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Company intends to hold the equity interests in Guangzhou Baoqian as long-term investment with an objective to improve the capital usage efficiency and earn reasonable investment return. Based on the above, the Directors (including the independent non-executive Directors) consider that the Baoqian Acquisition Agreement has been entered into on normal commercial terms and is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

After further negotiation and discussion, the Purchaser and the Vendor decided not to proceed with the Baoqian Acquisition Agreement and entered into a termination agreement to terminate the Baoqian Acquisition Agreement on 24 January 2019.

For details, please refer to the announcements of the Company dated 13 December 2017 and 24 January 2019.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

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

(i) Purpose

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

(ii) Participants

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

(iii) Terms of options

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

(iv) Option price

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

SHARE OPTION SCHEME *(continued)*

(v) Maximum number of shares

(1) 10% Limit

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

(b) With the approval of the shareholders of the Company in general meeting, the Directors may "refresh" the 10% limit under paragraph (a) (and may further refresh such limit in accordance with this paragraph) provided that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the limit as "refreshed" shall not exceed 10% of the shares in issue as at the date on which the shareholders approve the "refreshed" limit.

At the annual general meeting of the Company held on 11 April 2017, the scheme limit was refreshed pursuant to which Directors are authorised to grant options to eligible participants under the Share Option Scheme to subscribe for a maximum of 1,496,444,251 shares, being 10% of the shares in issue as at the date of the annual general meeting of the Company (i.e. 11 April 2017).

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

(2) 30% Limit

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

SHARE OPTION SCHEME *(continued)*

(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/her 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 2018:

		Number of share options							
Grantee(s)	**Date of grant**	**As at 1 January 2018**	**Granted during the year**	**Cancelled during the year**	**Lapsed during the year**	**Exercised during the year**	**As at 31 December 2018**	**Exercise Price HK$**	**Approximate % of shareholding upon fully exercise of share options (Note ii)**
Executive Directors									
Zeng Jianhua *(Chairman)*	3 April 2017	100,000,000	–	–	–	–	100,000,000	0.30	0.62%
	28 April 2017	5,670,000	–	–	–	–	5,670,000	0.41	0.04%
Hou Yue	3 April 2017	19,000,000	–	–	–	–	19,000,000	0.30	0.11%
	28 April 2017	5,670,000	–	–	–	–	5,670,000	0.41	0.04%
Deng Chengli	8 October 2014	21,000,000	–	–	–	–	21,000,000	1.10	0.13%
	3 April 2017	25,000,000	–	–	–	–	25,000,000	0.30	0.15%
	28 April 2017	5,670,000	–	–	–	–	5,670,000	0.41	0.04%
Jin Yanbing	3 April 2017	16,000,000	–	–	–	–	16,000,000	0.30	0.10%
	28 April 2017	5,670,000	–	–	–	–	5,670,000	0.41	0.04%
Independent non-executive Directors									
Miu Hon Kit	8 October 2014	1,000,000	–	–	–	–	1,000,000	1.10	0.01%
	28 April 2017	1,000,000	–	–	–	–	1,000,000	0.41	0.01%
Wang Fang	28 April 2017	1,000,000	–	–	–	–	1,000,000	0.41	0.01%
Chen Kin Shing	28 April 2017	1,000,000	–	–	–	–	1,000,000	0.41	0.01%
		207,680,000	–	–	–	–	207,680,000		1.31%
Other employees and consultants of the Group	8 October 2014	230,800,000	–	–	(3,650,000)	–	227,150,000	1.10	1.44%
	3 April 2017	199,000,000	–	–	(19,670,000)	–	179,330,000	0.30	1.13%
	28 April 2017	305,170,000	–	–	(51,500,000)	–	253,670,000	0.41	1.60%
Total		942,650,000	–	–	(74,820,000)	–	867,830,000		5.48%

SHARE OPTION SCHEME *(continued)*

Notes:

(i) The closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet immediately before the date on which the outstanding options were granted were as follows:

Date of grant	Trading day immediately before the date of grant	Closing price per share immediately before the date of grant HK$
8 October 2014	7 October 2014	1.130
3 April 2017	31 March 2017	0.285
28 April 2017	27 April 2017	0.345

(ii) The percentage represents the number of underlying shares interested divided by the enlarged issue share capital of the Company as at 31 December 2018, assuming all the outstanding share options are exercised.

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 2018 are set out in notes 33 and 35 respectively to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2018, 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

Mr. Zeng Jianhua *(Chairman)*
Mr. Hou Yue
Mr. Deng Chengli
Mr. Jin Yanbing

Non-executive Directors

Mr. Wu Tak Kong
Mr. Wang Ke

Independent non-executive Directors

Mr. Miu Hon Kit
Ms. Wang Fang
Mr. Chen Kin Shing

In accordance with articles 86 to 89 of the Company's Articles, at every annual general meeting of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three (3), then the number nearest to but not less than one-third shall retire from office by rotation. Accordingly, Mr. Zeng Jianhua, Mr. Hou Yue and Mr. Chen Kin Shing 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 Friday, 24 May 2019.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) has signed a service contract or 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 or a letter of appointment 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 18 to 20.

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 or any entity connected with the Director has a material interest in, whether directly or indirectly, and which subsisted during or 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 or their respective associates held any interests in any business which competes or are likely to compete (either directly or indirectly) against the Company or any of its jointly controlled entities and subsidiaries for the year ended 31 December 2018.

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

As at 31 December 2018, 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 recorded 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 Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Interest in underlying shares of the Company

Name of Director(s)	Nature of interest	Date of share options granted	Number of share options outstanding as at 31 December 2018	Approximate percentage of shareholding upon fully exercise of share options*
Zeng Jianhua *(Chairman)*	Beneficial owner	3 April 2017	100,000,000	0.62%
	Beneficial owner	28 April 2017	5,670,000	0.04%
Hou Yue	Beneficial owner	3 April 2017	19,000,000	0.11%
	Beneficial owner	28 April 2017	5,670,000	0.04%
Deng Chengli	Beneficial owner	8 October 2014	21,000,000	0.13%
	Beneficial owner	3 April 2017	25,000,000	0.15%
	Beneficial owner	28 April 2017	5,670,000	0.04%
Jin Yanbing	Beneficial owner	3 April 2017	16,000,000	0.10%
	Beneficial owner	28 April 2017	5,670,000	0.04%
Miu Hon Kit	Beneficial owner	8 October 2014	1,000,000	0.01%
	Beneficial owner	28 April 2017	1,000,000	0.01%
Wang Fang	Beneficial owner	28 April 2017	1,000,000	0.01%
Chen Kin Shing	Beneficial owner	28 April 2017	1,000,000	0.01%
			207,680,000	1.31%

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

* The percentage represents the number of underlying shares interested divided by the enlarged issue share capital of the Company as at 31 December 2018, assuming all the outstanding share options are exercised.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company, or their respective associate, had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company or the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director, as at 31 December 2018, 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(2)
Poly Longma Asset Management Co., Ltd.* 保利龍馬資產管理有限公司	Deemed interest in controlled corporation(1)	9,286,301,000 (L)	62.06%
Shanghai Lianmi Investment Management Co., Ltd.* 上海聯米投資管理有限公司	Deemed interest in controlled corporation(1)	9,286,301,000 (L)	62.06%
Forever Bright Consultants Limited	Deemed interest in controlled corporation(1)	9,286,301,000 (L)	62.06%
Golden Port Holdings Limited	Deemed interest in controlled corporation(1)	9,286,301,000 (L)	62.06%
Pohua JT Capital Partners Limited	Deemed interest in controlled corporation(1)	9,286,301,000 (L)	62.06%
Pohua JT Private Equity Fund L.P.	Beneficial owner(1)	9,286,301,000 (L)	62.06%

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 owns 100% equity interest 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 a long position of an aggregate of 9,286,301,000 shares held by Pohua JT Private Equity Fund L.P.

(2) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2018 being 14,964,442,519 shares.

(3) The letter "L" denotes the person's long position in such securities.

Save as disclosed above, as at 31 December 2018, 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 2018 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 2018, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss amounted to approximately RMB37,659,000 (2017: RMB22,029,000).

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 2018 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 Monday, 20 May 2019 to Friday, 24 May 2019 (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 Friday, 17 May 2019.

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 2018 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 2018, the composition of the Audit Committee is set out as follows:

Mr. Miu Hon Kit *(Chairman)*
Ms. Wang Fang
Mr. Chen Kin Shing

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 38 to 51 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Information on the Company's implementation of environmental and social responsibilities will be set out in the Environmental, Social and Governance report on pages 52 to 80 of this annual report.

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 2018 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 61.2% (2017: 62.6%) of the Group's total sales. The largest customer accounted for approximately 27.2% (2017: 23.2%) 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 who owns more than 5% of the Company's issued share capital 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 and executive Director

Hong Kong
25 March 2019

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 December 2018.

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 applicable code provisions as set out in the CG Code throughout the year ended 31 December 2018.

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 terms 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.

Code Provision A.2.1

Please refer to the paragraph headed "Chairman and Chief Executive Officer" in this annual report.

THE BOARD

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

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

During the year ended 31 December 2018, the Company had as all times complied with Rule 3.10 and Rule 3.10A of the Listing Rules.

THE BOARD *(continued)*

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 86 to 89 of the Company's Articles, at every 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 18 to 20 of this annual report.

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

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Mr. Zeng Jianhua was appointed as the Chairman of the Board, the CEO and an executive Director on 6 March 2017. Since then, the Company does not have a separate chairman and CEO. Mr. Zeng Jianhua currently performs these two roles. The Board believes that vesting the roles of both chairman and CEO has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will review the management structure regularly and consider separating the roles of the chairman and CEO if and when appropriate.

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/her 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.

AUDIT COMMITTEE

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

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

The Audit Committee currently consisted of three independent non-executive Directors: Mr. Miu Hon Kit, Mr. Chen Kin Shing and Ms. Wang Fang. Mr. Miu Hon Kit serves as the chairman of the Audit Committee.

During the year ended 31 December 2018, the Audit Committee held two meetings on 23 March 2018, 24 August 2018. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2017 and for the six months ended 30 June 2018 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal control and financial reporting matters.

During the year ended 31 December 2018, 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.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, recognition or dismissal of the external auditors, during the year ended 31 December 2018.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") has been established with written terms of reference in compliance with the CG Code. The principal responsibilities of the Remuneration Committee are to formulate and recommend remuneration policy to the Board, to determine the remuneration of executive Directors and members of senior management, to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and to make recommendation on other remuneration related issues. The Board expects the Remuneration Committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The Remuneration Committee currently consisted of one executive Director (Mr. Zeng Jianhua (appointed on 18 April 2018)) and three independent non-executive Directors (Ms. Wang Fang, Mr. Miu Hon Kit and Mr. Chen Kin Shing). Ms. Wang Fang serves as the chairman of the Remuneration committee.

The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short-term bonuses and long-term rewards such as options, so as to attract and retain top quality staff. The Remuneration Committee reviews such packages annually, or when the occasion requires. During the year ended 31 December 2018, the Remuneration Committee held two meetings on 6 March 2018 and 26 April 2018, respectively.

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. The selection of candidates is based on a range of diversified perspectives, including but limited to gender, age, cultural and educational background, professional expertise, skills and knowledge. Based on the above criteria, members of the Nomination Committee have reviewed the composition of the Board and confirmed that the existing Board was appropriately structured and no change was required.

The Nomination Committee currently consisted of one executive Director (Mr. Zeng Jianhua (appointed on 18 April 2018)) and three independent non-executive Directors (Mr. Chen Kin Shing, Mr. Miu Hon Kit and Ms. Wang Fang). Mr. Chen Kin Shing serves as the chairman of the Nomination Committee. During the year ended 31 December 2018, the Nomination Committee held two meetings on 23 March 2018 and 18 April 2018, respectively.

NOMINATION COMMITTEE *(continued)*

Nomination Policy

1. *Objective*

   1.1 The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies or as on addition to the existing Board.

   1.2 The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

2. *Selection Criteria*

   2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

   - Reputation for integrity
   - Accomplishment and experience
   - Compliance with legal and regulatory requirements
   - Commitment in respect of available time and relevant interest
   - Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

   These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

   2.2 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

   2.3 The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

NOMINATION COMMITTEE *(continued)*

Nomination Policy *(continued)*

3. *Nomination Procedures*

   3.1 The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

   3.2 For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

   3.3 Pursuant to the Articles of the Company, if a shareholder wishes to propose a person for election as a Director, such shareholder shall have given a notice in writing of the intention to propose that person for election as a Director and also a notice in writing by that person of his willingness to be elected shall be given. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

   3.4 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

   3.5 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4. *Independence*

   4.1 The Company shall appoint independent non-executive Directors representing at least one-third of the Board. The Nomination Committee should assess the independence of independent non-executive Directors. In assessing the independence of a non-executive Director, the Nomination Committee should take into account whether a Director:

   - holds more than 1% of the number of issued shares of the Company;

   - has received an interest in any securities of the listed issuer as a gift, or by means of other financial assistance, from a core connected person or the Company;

NOMINATION COMMITTEE *(continued)*

Nomination Policy *(continued)*

4. Independence (continued)

4.1 (continued)

- is or was a director, partner or principal of a professional adviser which currently provides or has within two years immediately prior to the date of his proposed appointment provided services, or is or was an employee of such professional adviser who is or has been involved in providing such services during the same period, to:

  (a) the Company, its holding company or any of their respective subsidiaries or core connected persons; or

  (b) any person who was a controlling shareholder or, where there was no controlling shareholder, any person who was the chief executive or a director (other than an independent non-executive director), of the listed issuer within two years immediately prior to the date of the proposed appointment, or any of their close associates;

- currently, or within one year immediately prior to the date of the proposed appointment, has or had a material interest in any principal business activity of or is or was involved in any material business dealings with the Company, its holding company or their respective subsidiaries or with any core connected persons of the Company;

- is on the Board specifically to protect the interests of an entity whose interests are not the same as those of the shareholders as a whole;

- is or was connected with a director, the chief executive or a substantial shareholder of the Company within two years immediately prior to the date of his proposed appointment;

- is, or has at any time during the two years immediately prior to the date of his proposed appointment been, an executive or director (other than an independent non-executive director) of the Company, of its holding company or of any of their respective subsidiaries or of any core connected persons of the Company; and

- is financially dependent on the Company, its holding company or any of their respective subsidiaries or core connected persons of the Company.

5. Amendment

Any amendments to the nomination policy must be approved by the Board.

NOMINATION COMMITTEE *(continued)*

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The Board Diversity Policy (the "Policy") adopted aims to set out the approach to achieve diversity on the Board. A summary of the Policy is set out below:

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the "Corporate Governance Report" of the annual report annually.

Monitoring and Reporting

The Nomination Committee will report annually, in the "Corporate Governance Report" of the annual report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

Review of this Policy

The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Disclosure of this Policy

A summary of the Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed annually in the "Corporate Governance Report" of the annual report.

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 2018 is set out below:

	Attendance/ number of board meetings held during tenure	Attendance/ number of Audit Committee meetings held during tenure	Attendance/ number of Remuneration Committee meeting held during tenure	Attendance/ number of Nomination Committee meeting held during tenure	Attendance/ number of general meetings held during tenure
Executive Directors					
Zeng Jianhua *(Chairman)*	5/5	N/A	1/1	0/0	1/1
Hou Yue	5/5	N/A	N/A	N/A	1/1
Deng Chengli	5/5	N/A	N/A	N/A	1/1
Jin Yanbing	5/5	N/A	N/A	N/A	1/1
Non-executive Directors					
Wu Tak Kong	5/5	N/A	N/A	N/A	1/1
Wang Ke	5/5	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Miu Hon Kit	5/5	2/2	2/2	2/2	1/1
Chen Kin Shing	5/5	2/2	2/2	2/2	1/1
Wang Fang	5/5	2/2	2/2	2/2	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. Further, pursuant to Code A.6.5 of the CG Code, the Group also provided briefings and other trainings to develop and refresh the existing Directors' knowledge and skills from time to time. Further, the Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Company arranged one seminar during the year ended 31 December 2018, 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 2018. 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 2018.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2018 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

During the year ended 31 December 2018, the auditors' remuneration in respect of audit services and non-audit services provided by the auditors of the Group, BDO Limited, charged to the consolidated statement of profit or loss amounted to approximately RMB4,221,000 (2017: RMB4,100,000) and RMB500,000 (2017: RMB650,000), respectively. The non-audit services conducted by the external auditor mainly include professional services on reviewing the interim financial information.

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 2018 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.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

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 2018, no significant risk was identified.

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 analysing 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.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Control System *(continued)*

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 relating 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 2018, no significant control deficiency was identified.

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.

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 recognises the importance of maintaining a clear, timely and the effective communication with the shareholders of the Company and investors. The Board also recognises 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.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.

SHAREHOLDER RIGHTS *(continued)*

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to kongsun@wsfg.hk for the attention of the company secretary of the Company.

CONSTITUTIONAL DOCUMENT

There was no changes in the constitutional documents of the Company during the year ended 31 December 2018.

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.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 1209–10, 12/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong

Attention: The Company Secretary

By email: kongsun@wsfg.hk

Environmental, Social and Governance Report

ABOUT THIS REPORT

This environmental, social and governance report (the "ESG Report") of Kong Sun Holdings Limited (the "Group" or "we"), which summarises and presents the sustainable development works of the Group in 2018, covers the period from 1 January 2018 to 31 December 2018 (the "Year"). The ESG Report sets out the overall environmental and social policies of the Group when conducting business in the People's Republic of China (the "PRC" or "China"), and the key disclosures of key performance indicators ("KPI") at environmental and social levels of the Year include (i) the headquarters of the Group in Beijing; (ii) 48 power plants of the Group as at 31 December 2018 (including the power plant in Qinghai that put into operation during the Year); and (iii) the power plant in Jiangxi that completed equity transfer during the Year (collectively, the "Office Area"). For details on corporate governance, please refer to the Corporate Governance Report on pages 38 to 51.

In preparing this ESG Report, the Group made disclosures in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and the KPIs are calculated with reference to the 2018 Development Report on Electricity Industry in China (《中國電力行業發展報告(2018)》) published by the China Electricity Council and the Calculating Methods and Reporting Guide on Emission of Greenhouse Gas (《溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission.

For details on the Group's environmental, social and corporate governance, please refer to our official website (http://www.kongsun.com/) and the annual report. We value your opinion on this report. If you have any comments or suggestions, please feel free to email us at kongsun@wsfg.hk.

THE GROUP'S VISION ON SUSTAINABLE DEVELOPMENT

Adhering to the philosophy of "greener earth, brighter future", the Group focuses on the investment in the field of renewable energy and has determined its visions, missions and core values, which serve as guiding principles for our business and daily operations as well as governance. Aiming to "promote the wide application of the green new energy to the general household through capital investment", the Group devotes itself to developing the new energy-driven electric power industry and making a contribution to the environmental protection. With its core value of "striving for excellence", the Group expects to achieve its goal of "becoming a leader in new energy investment operation and asset management areas" through the development of core business, which are investment in and operation of solar power plants. In its middle-to-long term development plan, we rely on professional shareholders' support and management team, high-level technical talents, and strong capital strength to become an integrated investment group covering the fields of clean energy, green finance and asset management.

As a leading enterprise in the clean energy industry, the Group is well aware of the importance of sustainable development. Apart from creating monetary return for our investors, we also help our employees in attaining personal fulfilment and provide clean power energy for social development and environmental protection. The sustainable development approach of the Group covers three major areas, namely green business, green operation and green care, involving the operation and maintenance of solar power business, daily operation and management, staff support and community contribution. We are committed to 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. Leveraging on our influence in the industry, we also proactively promote community harmony and make contributions to the community.

In the past, the Group has been striving to grasp the development opportunities in the solar power industry. In the future, with focuses on clean energy and green finance, we will work in line with the national policies regarding green development and renewable energy, continue to step up its effort in developing solar power business, and promote green and low-carbon energy development in the PRC, thereby contributing to environmental protection.

PLACING GREAT EMPHASIS ON STAKEHOLDERS ENGAGEMENT

Communication with Stakeholders

The Group believes that active participation of and continual support from stakeholders play a pivotal role in the Group's long-term success. The Group communicates with stakeholders in order to improve its sustainable development management system and achieve the goals of sustainable development. Therefore, the stakeholders in different areas and levels are able to express their views and suggestions through a variety of communication channels, and we can respond to their expectations and concerns in different ways, thereby enhancing our environmental, social and governance performance and formulating better future development strategies.

Government and Regulators

- **Expectation and Requirement**
  - Compliance with national policies, laws and regulations
  - Promoting local economic development
  - Promoting local employment
  - Paying taxes in a full and timely manner
  - Production safety
- **Communication and Respond**
  - Regular information report
  - Inspection and supervision

Shareholders

- **Expectation and Requirement**
  - Returns
  - Compliant operation
  - Enhancing company's value
  - Information transparency and effective communication
- **Communication and Respond**
  - General meeting
  - Announcements
  - Email, phone and company website

Business Partners

- **Expectation and Requirement**
  - Operational integrity
  - Fair competition
  - Performing contracts according to the laws
  - Achieving reciprocity
- **Communication and Respond**
  - Communication and cooperation

Customers

- **Expectation and Requirement**
  - Quality products and services
  - Health and safety
  - To perform the contracts according to the laws
  - Operation in good faith
- **Communication and Respond**
  - Email, phone and company website
  - Communication and cooperation

Environment

- **Expectation and Requirement**
  - Compliant emission
  - Energy conservation and emission reduction
  - Ecosystem conservation
- **Communication and Respond**
  - Communication with local environmental departments

Industry

- **Expectation and Requirement**
  - Developing industrial standards
  - Promoting industry development
- **Communication and Respond**
  - Participation in industry forums

Employees

- **Expectation and Requirement**
  - Rights protection
  - Occupational health
  - Remuneration and benefits
  - Career development
- **Communication and Respond**
  - Staff meetings for communication
  - Company internal newsletter and intranet
  - Training and workshops
  - Activities for employees

Community and the public

- **Expectation and Requirement**
  - Improving community environment
  - Participation in charity work
  - Open and transparent information
- **Communication and Respond**
  - Company website
  - Announcements

Environmental, Social and Governance Report *(continued)*

Material Aspect Identification

During the Year, the Group has engaged an independent third-party consultant to assist us in conducting a materiality assessment in a fair and equitable manner to identify material aspects regarding environment, society and governance. The implementation of materiality assessment has been divided into three main phases: (i) identifying the potential material aspects regarding environment, society and governance that may have impacts on the Group's business or stakeholders based on the Group's actual development and industry characteristics; (ii) inviting internal and external stakeholders to complete questionnaires to understand their level of concern for each aspect; and (iii) analysing the results of questionnaires to determine the priority of the potential material aspects.

The following table shows the results of the materiality assessment of the Group:

Significance to stakeholders

High	Operation practices • Customer health and safety	Environment • Energy management • Research and development Employment and labour practices • Compliance with labour laws and regulations • Employees' remuneration and benefits • Employees' working hours and rest periods • Occupational health and safety Operation practices • Compliance with laws and regulation regarding the provision of products and services • Customer privacy
Mid	Environment • Waste management • Greenhouse gas emissions Employment and labour practices • To prevent child labour and forced labour Operation practices • Supplier assessment for labour practices and human right • Supplier assessment for impacts on society • Marketing and labelling	Environment • Compliance with regulations regarding environment protection Employment and labour practices • Employee diversity and equal opportunity • Training and education Operation practices • Supplier assessment for impacts on environment • Anti-corruption Community • Impacts on the community • Direct economic value generated by the Group for the community

Low Mid High

Significance to business

Based on the above materiality assessment, the Group has identified material aspects for the Group's business and stakeholders and has disclosed and responded to the aspects in relevant sections.

Material aspects	Corresponding sections
Energy management	Green Industry Resource Conservation
Research and development	Green Engineering — Management of Solar Power Plant Innovative operation — Realising Synergies
Compliance with labour laws and regulations	Recruiting Talents Safeguarding the Rights and Interests of our Staff Safeguarding the Safety and Health of the Employees
Employees' remuneration and benefits	Safeguarding the Rights and Interests of our Staff
Employees' working hours and rest periods	Recruiting Talents Safeguarding the Rights and Interests of our Staff
Occupational health and safety	Safeguarding the Safety and Health of the Employees
Compliance with laws and regulations regarding the provision of products and services	Proper Use of Media Platform
Customer privacy	Emphasising Business Ethics

GREEN FOOTPRINT — "COMMITTED TO DEVELOPING SOLAR POWER"

Milestones

1970

- Listing of the Group on the Main Board of the Hong Kong Stock Exchange

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 solar power plants
- Acquired 3 solar power plant projects, thereby tapping into the solar power generation business

2016

- The installed capacity of the Group's grid-connected solar power plants exceeded 1 GW

2017

- The total installed capacity exceeded 1.8 GW
- Jiangshan Yongchen Solar Power Plant connected to the grid and became the first concentrated ground-mounted solar power plant in the PRC with the highest capacity in terms of the single generator in the desert area

2018

- 19 solar power plants of the Group have been registered in the seventh batch of the Renewable Energy Tariff Subsidies Catalogue* (《第七批可再生能源電價附加資金補助目錄》)
- Annual total power generation volume exceeds 2.1 billion kWh

Green Industry

In the 21st century, the continuous changes in the global climate and natural environment, as well as a sharp decline in natural resources, are becoming new issues to the social development of human beings. With its professional management team and high-level technical team, the Group proactively expanded its business in solar power generation and strived to become a leader in the clean energy industry in an effort to address the global issue of climate change. During the Year, our solar power plant's total installed capacity continued to stay ahead in the industry. We maintained our leading position in fields of clean energy investment operation and asset management, building a green future with its strength in the clean energy industry. As of 31 December 2018, the Group owned 48 solar power plants in total with a total installed capacity of over 1.78 GW, covering 14 provinces of China, with an aim to contribute to environmental protection in the PRC and the world.

Case Study: the first concentrated ground-mounted solar power plant with the highest capacity in terms of single generator in the desert area in the PRC — Jiangshan Yongchen Solar Power Plant

Jiangshan Yongchen Solar Power Plant is one of the large-size ground-mounted solar power plant projects invested and constructed by the Group. It was officially connected to the grid in July 2017 with an installed capacity of 300 MW. Jiangshan Yongchen Solar Power Plant is situated in Yulin City in the far north of Shaanxi Province. The favourable daylight conditions in Yulin City equip the project with strong power generating capacity. In 2018, the total power generation of the project exceeded 378 GWh. On top of the considerable economic benefits brought by Jiangshan Yongchen Solar Power Plant, it attained emissions reduction of CO_2, SO_2, NO_x and dust of approximately 0.32 million tonnes, 98 tonnes, 94 tonnes and 23 tonnes, respectively.

Annual Emissions Reduction Contribution

As at 31 December 2018, the total generation of solar power of the Group was 2,190,064 MWh (2017: 1,566,354 MWh), representing a significant increase of approximately 39.8% in annual power generation as compared to the corresponding period last year. In comparison with coal-burning power plants in China, our solar power generation succeeded in reducing emissions of CO_2, SO_2, NO_x and dust of over 1.85 million tonnes, 568 tonnes, 549 tonnes and 131 tonnes, respectively (2017: reducing emissions of CO_2, SO_2, NO_x and dust of over 1.28 million tonnes, 611 tonnes, 564 tonnes and 125 tonnes, respectively).

During the Year, the Group's number of power plants, annual power generation and annual contribution in emissions reduction by provinces are set out as follows:

Provinces	Number of solar power plants	Annual actual volume of electricity generated (MWh)	Annual contribution of CO_2 emissions reduction (tonnes)	Annual contribution of SO_2 emissions reduction (tonnes)	Annual contribution of NO_x emissions reduction (tonnes)	Annual contribution of dust emissions reduction (tonnes)
Xinjiang	11	301,593	254,544	78	75	18
Gansu	7	220,309	185,941	57	55	13
Shaanxi	8	825,317	696,568	215	206	50
Inner Mongolia	2	70,666	59,642	18	18	4
Shanxi	1	30,783	25,981	8	8	2
Hebei	4	139,325	117,590	36	35	8
Henan	2	141,685	119,582	37	35	9
Shandong	2	34,618	29,218	9	9	2
Anhui	5	154,205	130,149	40	39	9
Jiangsu	1	23,756	20,050	6	6	1
Zhejiang	2	132,490	111,822	34	33	8
Jiangxi	1	78,697	66,420	20	20	5
Hubei	1	30,536	25,772	8	8	2
Qinghai	1	6,084	5,135	2	2	0
Total	48	2,190,064	1,848,414	568	549	131

Annual Industry Qualifications and Awards

The Group's efforts in the exploration and development of the solar power industry gained supports and recognition from the authoritative organisations and professional platforms in the industry. The qualifications and awards obtained by the Group during the Year are as follows:

Awards	Issuing Organisations	Date of award
2017 Most Valuable Energy and Resources Corporation (2017年度最具價值能源與資源股公司)	Zhitongcaijing (智通財經) and Tonghuashuncaijing (同花順財經)	January 2018
2017 Top 10 Green Energy Brands (2017年度綠色能源品牌十強)	Hxny.com (華夏能源網)	February 2018
2018 Excellent Photovoltaic Investment Enterprise (2018年度優秀光伏投資企業)	SolarBe.com (索比光伏網)	October 2018
"China Top Photovoltaic" 2018 Best Photovoltaic Power Plant Investor (「中國好光伏」2018年度最佳光伏電站投資商)	Annual ceremony committee of the Top Photovoltaic Brand in China (中國好光伏品牌年度盛典組委會)	November 2018

兹授予：

KongSun 江山

江山控股

江山控股有限公司

年度绿色能源品牌十强

华夏能源网 · 2017中国能源传播大会

二零一八年二月

SolarBe.com 索比光伏网 CREC

2018年度“光能杯”CREC评选

年度优秀光伏投资企业

江山控股有限公司

江山控股有限公司

荣获

"中国好光伏" 2018年度

年度最佳光伏电站投资商

中国好光伏品牌年度盛典组委会
二零一八年十一月十五日

国际能源网 国际太阳能光伏网

GREEN BUSINESS — “CONTRIBUTING CLEAN ENERGY”

Green Engineering — Management of Solar Power Plant

The Group’s success in the solar power industry depends on the effective management of its solar power plants. The Group takes “equipping with leading technology, conducting quality environmental protection projects, being people-oriented and taking safety as the first priority” as its quality, environment and safety approach. While constructing high-quality projects that complied with environmental requirements, we also put safety as our first priority. Throughout the process of power plant projects, including investigation and research, construction, acceptance and daily operation and maintenance, the Group strictly abides by relevant laws and regulations and national standards, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Production Safety Law of the PRC (《中華人民共和國安全生產法》), Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), Code of construction of PV power station (《光伏發電工程施工規範》) (GB50794–2012) and Code of acceptance of photovoltaic power project (《光伏發電工程驗收規範》) (GB/T50796–2012). In the early development stage of the solar power plant projects, we will engage an independent third-party unit to evaluate the environmental impacts of the project and the effectiveness of environmental protection measures. In addition, the construction, acceptance, and daily operation and maintenance of solar power stations are also the focus of the Group’s solar power business. While expanding our business, we also spare no effort to undertake environmental and social responsibilities and achieve the objectives of environmental protection and safeguarding labour safety during the construction of solar power plants by adopting the following measures.

Investigation and research

- To engage a third-party investigation and research team to conduct analysis on solar energy resources, engineering geology, design of civil engineering works and estimated power generation with an aim to ensure the energy efficiency of power plants
- To require the third-party investigation and research team to advise on the environmental protection measures, energy-saving consumption reduction measures, and the protective measures in respect of occupational safety and hygiene of workers in different project sites
- To engage a third-party unit to conduct environmental assessments of the projects and monitor the effectiveness of the environmental protection plans
- To ensure safe operating conditions and high feasibility of the projects as well as effective control of its impacts on the local environment and natural resources

Construction

- To clearly set out our requirements on environmental protection, labour rights and quality for construction contractors
- To require contractors to organise regular safe operation meetings to have a better understanding of safe and civilised operation conditions and to propose improvement measures
- To carry out inspections on materials and engineering equipment with contractors

Acceptance

- To conduct final acceptance on site and to evaluate the completeness of construction projects safety coefficient and power generation efficiency in order to ensure that power plants comply with national standards and the requirements set out in contracts

Daily operation and maintenance

- To formulate an annual inspection plan, organise inspection teams to examine the power plants in terms of production safety, operation management and equipment management, and to take remedial actions immediately once problems are identified
- To clean the surface of solar panels regularly to maintain optimal power generation efficiency
- To make use of innovative technology and install optimiser and solar panel dust-proof film to enhance power generation efficiency

Supply Chain Management

The Group is committed to complying with relevant laws and regulations, such as the Bidding Law of the PRC (《中華人民共和國招標投標法》), during its operation, and expects its suppliers to comply with disciplinary codes and laws as well as to uphold integrity and fairness in treating their employees. The Group goes through the tendering process in absolute confidentiality and review potential suppliers based on the principles of fairness, justice and merit-based selection. With a view to maintaining a healthy and orderly supply chain system, optimising supplier teams and minimising the undesirable environmental and social risks caused by suppliers, the Group has been striving to optimise the procurement process and establish a sound system for exploration, supervision, evaluation and management of suppliers.

The Group has established clear supplier nomination procedures, qualification review and rating system, assessment system for supplier's contract performance and supplier's appeal investigation mechanism, which enable us to standardise assessment and management during supplier selection and cooperation. We attach great importance to the performance of suppliers in terms of product quality, environmental protection and occupational safety and health, which is reflected in our selection of suppliers and the entire cooperation process. In the preliminary review, the Group will require supplier nominees to provide a set of qualification documents for review and a set of rating criteria is designed for each qualification document. We will give priority to the suppliers who obtained certificates of "ISO9001 Quality Management System Certification", "ISO14001 Environmental Management System Certification" and "OHSAS18001 Occupational Health and Safety Management System Certification", so as to ensure that the qualification of suppliers in terms of product quality, environmental protection, energy saving, emissions reduction, occupational safety and health.

In addition to document review and rating, the Group will also conduct site visits to certain suppliers, for instance, in respect of the goods suppliers, the Group will assign quality control personnel to conduct on-site sampling inspection to ensure that its production equipment is up to standard, its staffs are well-equipped and its production process and products meet national quality standards. Apart from sampling inspection on goods provided by suppliers, quality control personnel will also carry out acceptance process before any goods are entered for warehousing, so as to ensure that the quality and specifications of the materials meet the requirements, and will exchange or return substandard materials. The contracts signed by the Group and engineering suppliers clearly set out not only our requirements on product quality but also the relevant undertakings by suppliers in relation to environmental protection, safe operation and protection of labour rights. In respect of the contract performance of the engineering suppliers, the Group supervises and evaluates suppliers' performance in different aspects. The Group will blacklist any supplier violating the laws and regulations and terminate the cooperation. The Group devotes itself to upholding the human rights and labour rights in its supply chains and will not tolerate any employment of child labour and forced labour by its suppliers.

Emphasising Business Ethics

The Group highly values the confidential data of our staff and business partners. We strictly comply with the laws and regulations regarding privacy, including but not limited to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) and Information security technology — Guide of implementation for information security risk assessment (《信息安全技術信息安全風險評估實施指南》) (GB/T31509–2015). We are committed to maintaining transparency, legitimacy, relevance and accuracy when handling their confidential data. The Group will enter into a confidentiality agreement with its employees, requiring employees not to disclose the confidential or proprietary information of the Group to persons or entities outside the Group, both during and after employment, without the Group's authorisation. To ensure information security, only those necessary to be informed shall be authorised to access confidential information or documents, and employees shall not use personal computers or other personal storage devices to access confidential information. Besides firewall installation, antivirus protection is enabled on all servers and computers in the Group to ensure network security. All internal information of the Group is also encrypted. Before decrypting the data, it must be approved by the designated department to reduce the risk of leakage of confidential information. The Group implements information security monitoring to ensure effective control over factors threatening our information, database and network security, and to minimise our exposure to systematic risks caused by improper use of technology, internal human factors or external hacking. We also regularly assess information security risks and, if necessary, take protective measures against cyber-attacks to protect our corporate information. At the same time, we organise regular training to enhance the staff's awareness on information security.

Besides, the Group also attaches great importance to the protection of intellectual property rights and strictly abides by the Trademark Law of the PRC (《中華人民共和國商標法》), Copyright Law of the PRC (《中華人民共和國著作權法》) and other relevant laws and regulations. The confidential information shared with suppliers, including the Group's intellectual property, is under the protection of confidentiality agreements. The Group strives to protect its own intellectual property. In the meantime, we will not infringe the patent of merchandise of other parties or enterprises.

Innovative Operation — Realising Synergies

Since the Group started to tap into the solar power industry in 2014, by leveraging on policy supports, financial strengths and technological advantages, the business model has gradually evolved and become mature. However, the Group has not slowed down the 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 of the industry development trends and actively participates in projects of "agricultural-photovoltaic complementary ("農光互補")" and "fishery-photovoltaic complementary ("漁光互補")", so as to pursue synergies and create a win-win situation for the solar power industry, the agriculture industry and the fishery industry.

Case Study: The 100 MW "fishery-photovoltaic complementary" solar power project in Huzhou

The 100 MW fishery-photovoltaic complementary solar power project in Nanxun District (南潯100兆瓦漁光互補太陽能發電項目) organised by Huzhou Xianghui Photovoltaic Power Generation Limited (湖州祥暉光伏發電有限公司) is one of the large-scale "fishery-photovoltaic complementary" projects with installed capacity of 100 MW invested and constructed by the Group. The solar powering modules are installed above the water surface, where the upper part is used for solar power generation and the lower part is used for fishery. The project not only provides clean energy for the country but also enhances the utilisation rate of water surface area, economic value per unit of land area and output capacity of the land, serving as a good demonstration for the integration and development of mixed land use and new energy industries. During the Year, the total power generation of the project exceeded 110 GWh. On top of the considerable economic benefits brought by it, the 100 MW fishery-photovoltaic complementary solar power plant in Nanxun District succeeded in reducing emissions of CO_2, SO_2, NO_x and dust of over 0.09 million tonnes, approximately 29 tonnes, 28 tonnes and 7 tonnes, respectively, during the Year.

GREEN OPERATIONS — "SAVING ENERGY AND REDUCING EMISSIONS TOGETHER"

Resource Conservation

As a green enterprise which promotes the development of clean energy, the Group understands the importance of maintaining sustainable development of the environment in daily operation. The Group has adopted the following resources conservation measures in its headquarters and power plants:

Energy conservation

- To make full use of natural lighting
- To adopt automatic lighting management system and install energy-saving light bulbs
- To set the air-conditioning temperature at an energy-saving level and clean the air-conditioning filters on a regular basis so as to maximise the cooling efficiency
- To switch off unnecessary lighting and energy consuming devices
- To install highly energy-efficient electronic equipment and consider its energy labels during the selection process of electricity equipment
- To clean solar panels on a regular basis to enhance energy efficiency

Water conservation

- To reduce water pressure to the lowest feasible level
- To use water taps with water conservation labels
- To reuse grey water for cleaning and irrigation
- To read the water meters regularly and check for hidden leakages

Paper conservation

- To carry out administrative procedures such as notice, training application and leave application via its paperless office system
- To set double sided printing and ink-saving mode as the default printing mode
- To use electronic communication technologies for the release of announcements, reporting and internal communications
- To use "paper from responsible sources" when printing annual and interim reports of the Group

Resources consumption of the Group during the Year is as follows:

Resources conservation	2018	2017
Consumption of non-renewable fuel (MWh)	**2,051**	1,607
Consumption of purchased electricity (MWh)	**17,550**	17,613
Less: electricity sold (MWh)	**2,190,064**	1,566,354
Total direct and indirect energy consumption (MWh)	**(2,170,463)**	(1,547,134)
Average direct and indirect energy consumption per MW of electricity sold (MWh/MWh)	**(0.99)**	(0.99)
Total water consumption[1] (cubic metre)	**30,425**	51,796
Average water consumption per MW of electricity sold (cubic metre/MWh)	**0.01**	0.03

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[1] Some power plants do not have water supply. As some of the water sources are well water or barrelled water, the exact water consumption cannot be accurately measured. Therefore, the total water consumption is estimated by the management based on their experience.

Management of Pollutants

The Group strictly complies with the relevant national laws and regulations in relation to the environment, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and Water and Soil Conservation Law of the PRC (《中華人民共和國水土保持法》), so as to ensure that pollutants are reduced and their impacts on the environment are mitigated in the course of its active business expansion. As the Group focuses on the development of green energy, the emission of exhaust gas or wastewater during our operation is not significant. The main sources of air pollutants of the Group are the insignificant amount of gas emissions from motor vehicles and the fuel consumption of cooking at power plants. During the Year, the Group emitted insignificant amount of air pollutants during operation. For the purpose of emissions reduction, the Group carries out regular maintenance and examination for vehicles to maintain their efficiency and ensures that there is no idle engine, so as to avoid the waste of fuel. We also adopt electric tricycles and induction cooker to replace the vehicles and cooking appliances using non-renewable fuels if practicable.

Management of Wastes

The Group puts emphasis on the management of wastes by proper handling of recyclable and non-recyclable wastes, so as to minimise the environmental risks from such wastes. The hazardous wastes generated by the Group are mainly electronic wastes such as ink cartridges and batteries while non-hazardous wastes are mainly domestic waste. In order to prevent hazardous wastes from causing serious pollution to the environment, we arrange qualified recyclers or suppliers to collect hazardous wastes for treatment with an aim to avoid environmental pollution arising from improper disposal of hazardous wastes. As for non-hazardous wastes, the domestic waste from office area of headquarters and some power plants of the Group is collected and handled under the centralised management of property management companies or local village committees. With a view to reducing wastes, we encourage our staff to avoid the use of disposable and non-recyclable products and reuse stationeries such as envelopes and file binders. We also avoid wastes arising from overstocking through regular assessment on the use of materials.

Through the implementation of the above measures, the Group successfully reduced the hazardous and non-hazardous waste generation intensity during the Year. During the Year, the amounts of non-hazardous and hazardous wastes generated by the Group are as follows:

Wastes	**2018**	2017
Total amount of non-hazardous wastes (tonnes)	**64**	90
Average amount of non-hazardous wastes per MW of electricity sold (kg/MWh)	**0.03**	0.06
Total amount of hazardous wastes (tonnes)	**0.08**	0.57
Average amount of hazardous wastes per MW of electricity sold (g/MWh)	**0.04**	0.37

Responses to Climate Change

Reducing greenhouse gas emissions is one of the environmental issues mostly concerned around the world in recent years. The Group invests in solar power generation to reduce the emission of greenhouse gases and air pollutants generated by coal-fired power plants. The details of the relevant contribution to emissions reduction are set out in section headed “Annual Emissions Reduction Contribution”. We adopt video conference to dispense with unnecessary overseas business travel if practicable while arrange direct flights for necessary business trips to minimise our carbon emissions. Besides, we encourage our staff to use public transport for commuting purpose.

During the Year, the greenhouse gas emissions of the Group are as follows:

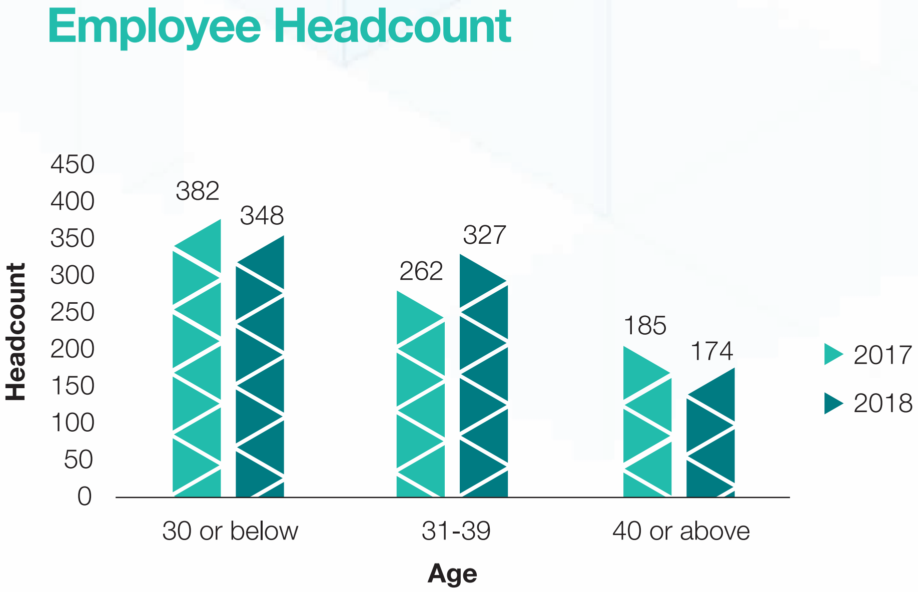
Greenhouse gas emissions	**2018**	2017
Scope 1: Direct emissions (t CO_2e)	**591**	364
Scope 2: Energy indirect emissions (t CO_2e)	**16,896**	12,101
Scope 3: Other indirect emissions (t CO_2e)	**63**	126
Total amount of greenhouse gas emissions (t CO_2e)	**17,550**	12,591
Average amount of greenhouse gas emissions per MW of electricity sold (kg CO_2e/MWh)	**8.01**	8.04

GREEN CARE — “CREATE A BETTER FUTURE”

Recruiting Talents

The Group recruits talents in a wide range and welcome talented and ambitious people to join us. To cope with the increasing expansion of the Group’s business, the Group recruits talents via various channels, including the company website, recruiting websites, recruitment agencies, career fairs in colleges and universities, industry forums and social media platforms. With an aim to establishing a high calibre talent pool, we conduct telephone interviews, preliminary tests, intermediate tests and final tests with candidates according to the requirements of the respective positions so as to ensure our employees are equipped with adequate knowledge and skills. The Group also allows internal transfers for employees to choose positions that align with their interests and career plans to acquire new experiences, knowledge and skills from new positions. As an employer providing equal opportunities and working environment, we offer equal opportunities and remuneration packages to all candidates and our existing staff, regardless of their gender, age, race, marital status or parental status, among others. We request the candidates to provide their identification documents to verify their age and identity during the recruitment process to avoid misemploying child labour. Prior to induction, employees are required to enter into labour contract with job descriptions, remunerations, insurance, welfare, working time and rest time clearly set forth to prevent any form of forced labour.

As at 31 December 2018, the Group employed a total of 849 full-time employees in Hong Kong and the PRC. The total number of employees by age group is as follows:



Safeguarding the Rights and Interests of our Staff

Employees serve as an important pillar and key to success of the Group. We care about the welfare of our employees and strive to safeguard their rights and interests. The Group strictly complies with the relevant laws and regulations in relation to labour rights and interests, including but not limited to the Employment Ordinance of Hong Kong, Labour Law of the PRC (《中華人民共和國勞動法》) and Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). We strive to provide our staff with a workplace free from discrimination and harassment. Employees are encouraged to report any form of harassment and discrimination via our complaint mechanism. Based on the principle of "adapting to market environment, actualising values of talents and bringing out the full effects of incentives", the Group makes annual adjustments to the remuneration of the staff with reference to various factors such as market conditions, working performance of the staff and price index, in an attempt to offer competitive remuneration packages to our employees. Apart from basic salary, we also offer performance pay and annual bonus based on individual performance of the employees and financial performance of the Group. The Group will arrange an exit interview upon receipt of the resignation letters from employees to understand the reasons of the resignation so as to improve the operation of the Group. The remaining balance of salary will also be paid in a timely manner.

For work-life balance of employees, overtime work is not encouraged. Where an extension of working hours is needed, overtime work is compensated by overtime pay or time-off in lieu according to law. In addition to statutory holidays, all employees are offered paid annual leaves, marriage leaves, maternity leaves and compassionate leaves. Furthermore, the Group offers home leaves and pays for round-trip transportation expenses from the place of residence to their home for the dispatched employees to enjoy their family time.

In addition to providing all staff with statutory welfare and security, such as the "Five Insurance & One Fund" (五險一金) under social security scheme (covering the pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing fund) and paid leaves, the Group also provides its staff with commercial supplementary medical insurance. To build up a corporate culture of staff care and maintain staff cohesion, we arranged the following activities and welfare during the Year:

- to hold celebration events and distribute gifts on special vacations, such as International Women's Day, Children's Day and Teachers' Day
- to organise a family movie day
- to hold birthday parties every quarter and issue birthday allowances for employees
- to set up badminton, football and basketball clubs
- to organise outdoor activities in spring and fall for employees
- to provide communication subsidies
- to provide lunch allowances
- to offer free annual body check
- to distribute cash gift at traditional festivals

Safeguarding the Safety and Health of the Employees

The Group adheres to the safety approach of "people-oriented and safety first" and the principle of "safety first, prevention-oriented and comprehensive governance" in the daily operation of its power plants and offices, and formulates a well-established production safety system, to ensure strict compliance with the laws and regulations such as the Production Safety Law of the PRC (《中華人民共和國安全生產法》) and the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (《生產安全事故報告和調查處理條例》) during its operation.

Production safety management

- To develop a production safety responsibility system that clearly sets out the safety responsibilities of each unit
- To hold a quality and production safety meeting once a week and a quality and safety meeting once a month
- To carry out safety inspections on a regular basis and immediately take corrective actions for any potential hazard discovered
- To carry out a joint safety inspection for construction in progress once a week, daily routine inspections for operating power plants, and company-level safety inspections by the Group's headquarters
- To identify material hazard sources regarding occupational health and safety in accordance with factors such as the possibility of accidents and frequency of human exposure in hazardous environments
- To formulate controlling measures for hazard sources and review the effectiveness of such measures on a regular basis

Occupational hygiene protection

- To formulate annual safety plans and summarise the implementation of such plans at the end of the year and develop next work plans
- To supervise the proper wearing and application of personal protective equipment by all levels of our staff and replace expired, damaged or performance degraded protective equipment in a timely manner
- To request the employees operating special equipment to obtain relevant certificates, such as high-voltage equipment testing certificate, prior to commencement of work

Occupational hygiene trainings

- To organise events such as safety day and production safety month on a regular basis to enhance employees' awareness towards occupational health and safety
- To provide safety trainings for the employees, such as first aid trainings, safety knowledge and examples of incidents
- To conduct regular firefighting trainings

Accident prevention and treatment

- To establish an emergency response team and formulate emergency plans for different accidents such as fire, electric shock and personal injury
- To issue flood prevention guidelines to ensure safety of its employees and safe operation of equipment
- To carry out emergency drill

Promoting Personal Development

Employees are the foundation of the Group's development. The knowledge and skills of employees are of utmost importance to the operation and business growth of the Group. As a result, we develop a well-planned career path for the employees to prepare for future business challenges. In order to build an excellent team that aligns with our development, we conduct regular assessment on the personal competence and performance of employees based on the principle of fairness, impartiality and openness. Comprehensive investigation and research on our middle-to-high level employees will also be carried out by asking other employees to provide objective and fair comments on their operating and management capabilities as well as self-cultivation. In addition, we are committed to offering our employees the opportunity of merit-based promotion and a stable working environment in their career pursuit. Our promotion is executed on a fair and open basis and any form of discrimination is not tolerated. When evaluating an employee for promotion, thorough consideration is given to the employee's personal quality, training record, ability and performance at work. Competent employees will be first considered for internal promotion when there is a job vacancy.

We believe that two-way communication is essential to increase job satisfaction and working efficiency of employees, thereby lowering the employee turnover rate. Our internal training mentors communicate with some employees regularly to understand their working conditions and create a favourable working atmosphere. Our internal mentors not only serve as a linkage between general employees and the management, but also provide employees with a wide range of effective trainings. To encourage internal mentors to actively commence training works, the Group formulates a mentor promotion mechanism and provides internal mentors with remunerations, material fees and welfare of teachers' day.

Investment in Talent Development

Talent development is an integral part of the Group's human resources strategy. Staff trainings will be organised based on the Group's actual conditions and demands for talents in a planned and targeted way. We create personal training files for our employees which record all trainings received since their induction and serve as the basis for promotion and salary adjustment. The Group also has a comprehensive talent training system in place to provide various training courses for employees of different levels and professions. We also provide induction trainings for all new employees, covering corporate culture, company system and safety knowledge. The Group not only provides employees with internal trainings, but also motivates them to attend external courses and personal trainings. We arrange site visits for employees with an aim to continuously enhance their working ability and consolidate their professional skills. To provide employees with appropriate trainings without geographical constrains, our training approaches are not limited to in-class training and on-job training, but also include multimedia learning and overseas study. Our multimedia learning platform provides profession-oriented courses, as well as courses regarding human resource management, financial management and administrative management, allowing employees to experience all-round study.

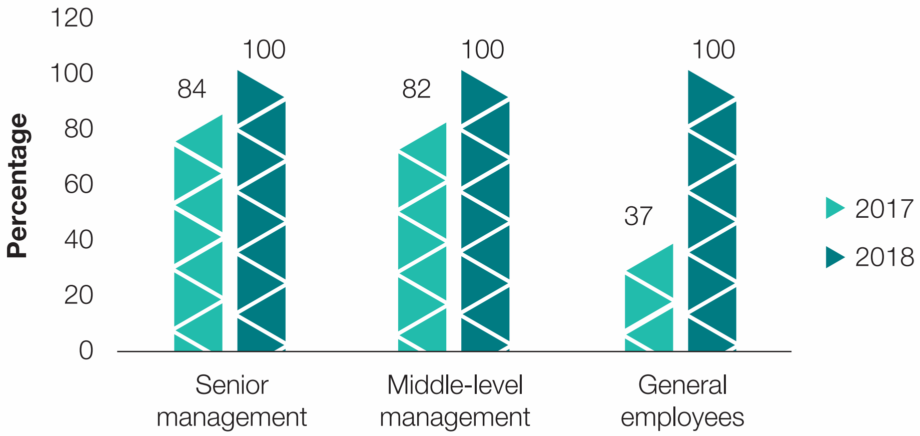
During the Year, we have organised the following training programs:

Training topics	Examples of training programmes
Leadership	Establishment of strategic mindset of leaders
	Goal management for junior managers
Occupational communication	Win-win business negotiation strategies
	Internal communication skills among different departments
Occupational quality	Career planning of workplace elite
	Workplace stress and emotion management
Team building	Goal management for high-performance team
	Team management
Coaching capability	Nurturing of training skills of internal mentors
Professional skills	Fault check and fault handling for inverters
	Optical power prediction system and secondary protection
Safety production	7S management training
	Case studies of incidents and emergency drills and handling exercises

For the purpose of optimising our training system, trainees will complete an evaluation survey on the training effectiveness upon completion of trainings. Their comments will be used for improving the quality of training courses and enhancing the satisfaction of trainees and values of such trainings for our business. Trainees who participate in external trainings are required to summarise their study achievements upon completion of trainings and to give a talk about the courses attended within the Group. We offer travel and meal allowances for all trainees. Besides, as an incentive for employees to attend large-scale national and municipal examinations for professional titles or practicing licenses relating to their positions, employees are entitled to study leave.

As at 31 December 2018, the proportion of employees in Hong Kong and China receiving trainings by employee category is as follows:

Proportion of employee receiving training



GREEN COMMUNITY — "JOIN HANDS TO BUILD A HARMONIOUS COMMUNITY"

Creating a Community of Integrity

Upholding integrity, ethics and honesty is the cornerstone of the Group's success. The Group has zero tolerance towards behaviours such as bribery, extortion, fraud and money-laundering. All Directors, management and staff must comply with all relevant laws and regulations promulgated by the State and local governments in relation to the prevention of bribery, extortion, fraud and money-laundering, including but not limited to the Criminal Law of the PRC (《中華人民共和國刑法》) and the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》). In case any employee violates the company policy regarding anti-corruption, the Group will terminate its labour contract and transfer such case to the judicial authorities. Furthermore, the Group has a mechanism for declaration of interest in place, stipulating that all employees should avoid engaging in any activities that collide with the interest of the Group, and requiring all employees to report any situations that may involve conflict of interest with the Group, either directly or indirectly. There is also a whistle-blowing policy in place that provides a channel for employees to report suspected misconduct. Financial transactions such as approval of contracts or expense reimbursements are subject to review by a number of departments and the management so as to prevent employees from receiving benefits. In addition, we sign integrity agreements with our suppliers to enhance the awareness of operating in a lawful and honest manner, to create a law-abiding working environment with integrity and efficiency, and to prevent any breach of laws and regulations.

As at 31 December 2018, the Group has not been involved in any lawsuits associated with corruptions.

Proper Use of Media Platform

The Group makes full use of diversified media channels to consolidate the communication with its stakeholders. Apart from promotional activities such as fairs, exhibitions and roadshows that facilitate direct access to stakeholders, we also prepare our own advertising videos and brochures to allow stakeholders to have comprehensive understandings of the Group. We strive to ensure the release of clear and correct information of the Group on different platforms. All information announced by the Group is subject to the verification by the relevant departments and final confirmation by the designated departments. Furthermore, the information set out in all marketing materials of the Group is required to be true and accurate while false, misleading or incorrect statements in any form of communication are forbidden.

Care for the Community

The robust development of the Group depends on the continuous supports and trusts from the State and all sectors of the community. The Group is always grateful and is 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 and managerial knowledge, thereby improving the general public's living standard and facilitating healthy development of the local economy.

Good community relationship lays solid foundation for the sustainable development of an enterprise. The Group values its relationship with local community where its power plant projects are operating. In addition to sharing benefits of the community, the Group has also proactively undertaken the responsibility of building community. In line with the national policy of "Photovoltaic Poverty Alleviation (光伏扶貧)", the Group supported such project with practical actions and regarded it as an important task of the Group, so as to contribute to the society while pursuing business development. In addition to actively respond to national policy of "Photovoltaic Poverty Alleviation", we are concerned about the needs of the communities in where we operate and proactively undertakes its social responsibilities by helping the poor and caring the vulnerable groups. During the Year, the Group donated over RMB9 million for poverty alleviation with an aim to promote the local economic development and improve the living standards of the local vulnerable groups.

The youth is the backbone of our society in the future. We organise campus recruitments to provide the youth with employment opportunities in China. During the Year, the Group donated RMB0.13 million as bursaries to provide education opportunities for students with financial difficulties and nurture talents for the State.

Mutual Development with the Community

By investing in and constructing the projects that are highlighted by the concept of "agricultural-photovoltaic complementary" and "fishery-photovoltaic complementary", the Group creates job opportunities for the local community and supports local infrastructure construction and economic development. To proactively respond to the relevant national policies, the Group has devoted its technological innovation capabilities in full swing, and seeks to utilise 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 solar power plants for local consumption. Through the application of "conducting clean power generation on the panels, carrying out large-scale plantation/aquaculture off the panels", the Group has commenced agricultural and fishery projects that are adaptable to the local conditions. For example, it has utilised condensation water under the solar panels to grow shade-loving and cold-resisting economic crops, thereby maximising land utilisation rate and resource efficiency. It has also made efforts on improving the quality of water and soil, preventing soil erosion, increasing agricultural incomes and creating local employment opportunities, and further integrating its power generation business into poverty alleviation projects, new countryside construction and agricultural facility refinement, thereby facilitating new countryside development and improving the livelihood of rural residents.

CONTEXT INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" OF HONG KONG STOCK EXCHANGE

Subject areas, aspects, general disclosures and KPIs description		Sections/Statements	Page(s)
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 Industry, Annual Emissions Reduction Contribution, Resource Conservation, Management of Pollutants, Management of Wastes, Responses to Climate Change	57 to 59, 66 and 67
KPI A1.1	The types of emissions and respective emissions data.	Management of Pollutants	66
KPI A1.2	Greenhouse gas emissions (in tonnes) in total and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Responses to Climate Change	67
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Management of Wastes	66
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Management of Wastes	66
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Green Industry, Annual Emissions Reduction Contribution, Responses to Climate Change	57 to 59, 67

Subject areas, aspects, general disclosures and KPIs description		Sections/Statements	Page(s)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Management of Wastes	66
Aspect A2: Use of resources			
General disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		Resource Conservation	65
KPI A2.1	Direct and/or indirect energy (e.g. electricity, gas or oil) consumption (KWh in '000s) by type in total and intensity (e.g. per unit of production volume, per facility).	Resource Conservation	65
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Resource Conservation	65
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Resource Conservation	65
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Resource Conservation	65
KPI A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, with reference to per unit produced.	As the Group is principally operating solar power plants, it does not involve any use of packaging materials.	N/A
Aspect A3: The environmental and natural resources			
General disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		Green Industry, Annual Emissions Reduction Contribution, Responses to Climate Change	57 to 59, 67

Subject areas, aspects, general disclosures and KPIs description		Sections/Statements	Page(s)
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Industry, Annual Emissions Reduction Contribution, Responses to Climate Change	57 to 59, 67
Social			
Employment and labour practices			
Aspect B1: Employment			
General disclosure Information on: (a) the policies; (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.		Recruiting Talents, Safeguarding the Rights and Interests of Our Staff, Promoting Personal Development	67 to 69, 71
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Recruiting Talents	67 to 68
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Recruiting Talents	67 to 68
Aspect B2: Health and safety			
General disclosure Information on: (a) the policies; (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.		Safeguarding the Safety and Health of the Employees	70
KPI B2.1	Number and rate of work-related fatalities.	No disclosure of relevant information has been made for the Year.	N/A

Subject areas, aspects, general disclosures and KPIs description		Sections/Statements	Page(s)
KPI B2.2	Lost days due to work injury.	No disclosure of relevant information has been made for the Year.	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safeguarding the Safety and Health of the Employees	70
Aspect B3: Development and training			
General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Promoting Personal Development, Investment in Talent Development	71 to 72
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle-level management).	Investment in Talent Development	71 to 72
KPI B3.2	The average training hours completed per employee by gender and employee category.	Investment in Talent Development	71 to 72
Aspect B4: Labour standards			
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.		Recruiting Talents	67 to 68
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	No disclosure of relevant information has been made for the Year.	N/A
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No child labour or force labour has come to the awareness of the Group in the Year.	N/A
Operating practices			
Aspect B5: Supply chain management			
General disclosure Policies on managing environmental and social risks of the supply chain.		Supply Chain Management	62 to 63

Subject areas, aspects, general disclosures and KPIs description		Sections/Statements	Page(s)
KPI B5.1	Number of suppliers by geographical region.	No disclosure of relevant information has been made for the 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 the 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.		Green Engineering — Management of Solar Power Plant Project, Emphasising Business Ethics, Proper Use of Media Platform	61 to 64, 73
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	As the Group is principally operating solar power plants, it does not involve any product recalls for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	As the Group is principally operating solar power plants, it does not involve any products and service related complaints.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Emphasising Business Ethics	63 and 64

Subject areas, aspects, general disclosures and KPIs description		Sections/Statements	Page(s)
KPI B6.4	Description of quality assurance process and recall procedures.	**assurance process** Green Engineering — Management of Solar Power Plant Project **recall procedures** As the Group is principally operating solar power plants, it does not involve any product recalls.	61 to 62
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Emphasising Business Ethics	63 and 64
Aspect B7: Anti-corruption			
General disclosure Information on: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.		Creating a Community of Integrity	73
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.	Creating a Community of Integrity	73
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Creating a Community of Integrity	73
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.		Proper Use of Media Platform, Care for the Community, Mutual Development with the Community	73 to 74
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Proper Use of Media Platform, Care for the Community, Mutual Development with the Community	73 to 74
KPI B8.2	Resources contributed to the focus area (e.g. money or time).	Care for the Community	74

Independent Auditor's Report

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

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 87 to 199, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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 opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

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 impairment of goodwill and non-financial assets set out in notes 5(iii) and 5(iv) respectively)

As at 31 December 2018, the Group had goodwill and non-financial assets amounting to approximately RMB149,197,000 and approximately RMB12,873,418,000 respectively relating to its cash generating units (the "CGUs") within the segment of solar power plants.

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 calculation 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;
- conducting in-depth discussions with management 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 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 appropriateness of the key assumptions used in the value-in-use calculations.

KEY AUDIT MATTERS *(continued)*

Valuation of financial assets measured at fair value through other comprehensive income

(Refer to note 24 to the consolidated financial statements and the Group's accounting policies set out in note 4.11)

As at 31 December 2018, the Group had financial assets measured at fair value through other comprehensive income amounting to approximately RMB2,047,434,000. These amounts were classified as "level 3" financial instruments in accordance with the classification under Hong Kong Financial Reporting Standards where values are derived from unobservable inputs.

We have identified the valuation of financial assets measured at fair value through other comprehensive income 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 financial assets.

Our response:

Our procedures in relation to management's fair value estimations of the financial assets measured at fair value through other comprehensive income included:

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

- conducting discussions with management and the independent valuer about the valuation techniques that are commonly 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 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 responsibilities 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.

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

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.

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

We communicate with the 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.

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

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, 25 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Notes	**RMB'000**	RMB'000
Revenue	7	**1,881,004**	1,278,704
Cost of sales		**(760,392)**	(457,031)
Gross profit		**1,120,612**	821,673
Other gains and losses	8	**41,413**	920
Administrative expenses		**(412,178)**	(325,549)
Gain on bargain purchase on acquisition of subsidiaries	46	**2,504**	53,260
Gain on disposal/deregistration of subsidiaries, net	47	**2,693**	12,031
Gain on disposal of an associate	20	**5,661**	–
Finance costs	13	**(745,545)**	(463,548)
Share of profit of a joint venture	19	**10,501**	26,019
Share of (loss)/profit of associates	20	**(837)**	35
Profit before income tax	9	**24,824**	124,841
Income tax expense	14	**(8,547)**	(4,788)
Profit for the year		**16,277**	120,053
Profit for the year attributable to:			
Owners of the Company		**15,415**	119,020
Non-controlling interests	45	**862**	1,033
		16,277	120,053
Earnings per share attributable to owners of the Company for the year	16		
— Basic (RMB cents)		**0.10**	0.80
— Diluted (RMB cents)		**0.10**	0.79

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2018

	Notes	Year ended 31 December **2018** **RMB'000**	 2017 RMB'000
Profit for the year		**16,277**	120,053
Other comprehensive income, net of tax	15		
Items that will not be reclassified to profit or loss:			
— Fair value changes in financial assets measured at fair value through other comprehensive income	24	**(71,452)**	–
— Fair value changes in available-for-sale investments	24	**–**	(20,712)
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of foreign operations		**(1,732)**	3,263
— Release of exchange reserve upon disposal of subsidiaries	47	**(19)**	(231)
Other comprehensive income for the year, net of tax		**(73,203)**	(17,680)
Total comprehensive income for the year		**(56,926)**	102,373
Total comprehensive income attributable to:			
Owners of the Company		**(57,788)**	101,340
Non-controlling interests		**862**	1,033
		(56,926)	102,373

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	At 31 December 2018 RMB'000	 2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**33,034**	37,574
Solar power plants	18	**12,594,456**	13,206,485
Interest in a joint venture	19	**331,922**	321,421
Interests in associates	20	**13,290**	17,035
Investment properties	21	**–**	920
Goodwill	22	**149,197**	148,451
Lease prepayments	23	**245,928**	257,238
Financial assets measured at fair value through other comprehensive income	24	**2,047,434**	–
Available-for-sale investments	24	**–**	1,576,206
Deferred tax assets	36	**2,360**	–
		15,417,621	15,565,330
Current assets			
Financial assets measured at fair value through profit or loss	25	**81,143**	–
Financial assets held for trading	25	**–**	200,281
Inventories	26	**3,058**	1,111
Trade, bills and other receivables	27	**4,646,076**	3,797,732
Structured bank deposits	28	**9,230**	–
Cash and cash equivalents	29	**256,310**	445,638
		4,995,817	4,444,762
Assets of a disposal group classified as held for sale	30	**6,678**	–
Total current assets		**5,002,495**	4,444,762
Current liabilities			
Trade and other payables	31	**1,903,547**	3,733,808
Contract liabilities	32	**8,038**	–
Loans and borrowings	33	**890,610**	595,471
Obligations under finance leases	34	**–**	117
Corporate bonds	35	**55,870**	343,697
Tax payable		**5,221**	1,970
		2,863,286	4,675,063
Liabilities of a disposal group classified as held for sale	30	**6,864**	–
Total current liabilities		**2,870,150**	4,675,063
Net current assets/(liabilities)		**2,132,345**	(230,301)
Total assets less current liabilities		**17,549,966**	15,335,029

Consolidated Statement of Financial Position *(continued)*

As at 31 December 2018

	Notes	At 31 December **2018** **RMB'000**	 2017 RMB'000
Non-current liabilities			
Loans and borrowings	33	**10,726,625**	8,744,467
Obligations under finance leases	34	**–**	103
Corporate bonds	35	**219,513**	42,781
Deferred tax liabilities	36	**–**	1,187
		10,946,138	8,788,538
NET ASSETS		**6,603,828**	6,546,491
CAPITAL AND RESERVES			
Share capital	37	**6,486,588**	6,486,588
Reserves	38	**34,670**	21,183
Equity attributable to owners of the Company		**6,521,258**	6,507,771
Non-controlling interests	45	**82,570**	38,720
TOTAL EQUITY		**6,603,828**	6,546,491

On behalf of the directors

Zeng Jianhua	**Jin Yanbing**
Chairman and Executive Director	*Executive Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Equity attributable to owners of the Company									
	Share capital RMB000 (note 37)	PRC statutory reserve RMB'000 (note 38(i))	Exchange reserve RMB'000 (note 38(ii))	Available-for-sale financial assets reserve RMB'000 (note 38(iii))	Fair value through other comprehensive income reserve RMB'000 (note 38(iii))	Equity-settled share-based payment reserve RMB'000 (note 38(iv))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000 (note 45)	Total equity RMB'000
Balance at 1 January 2017	6,486,588	29,771	(49,984)	–	–	113,980	(221,319)	6,359,036	37,603	6,396,639
Profit for the year	–	–	–	–	–	–	119,020	119,020	1,033	120,053
Other comprehensive income, net of tax	–	–	3,032	(20,712)	–	–	–	(17,680)	–	(17,680)
Total comprehensive income, net of tax	–	–	3,032	(20,712)	–	–	119,020	101,340	1,033	102,373
Equity-settled share-based transactions (note 10)	–	–	–	–	–	47,395	–	47,395	–	47,395
Lapse of share options	–	–	–	–	–	(57,544)	57,544	–	–	–
Appropriations to PRC statutory reserves	–	45,296	–	–	–	–	(45,296)	–	–	–
Acquisition of a subsidiary (note 46(a))	–	–	–	–	–	–	–	–	84	84
Balance at 31 December 2017	6,486,588	75,067	(46,952)	(20,712)	–	103,831	(90,051)	6,507,771	38,720	6,546,491
Initial application of HKFRS 9 (note 2A)	–	–	–	20,712	35,004	–	(19,115)	36,601	–	36,601
Balance at 1 January 2018	**6,486,588**	**75,067**	**(46,952)**	**-**	**35,004**	**103,831**	**(109,166)**	**6,544,372**	**38,720**	**6,583,092**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**15,415**	**15,415**	**862**	**16,277**
Other comprehensive income, net of tax	**-**	**-**	**(1,751)**	**-**	**(71,452)**	**-**	**-**	**(73,203)**	**-**	**(73,203)**
Total comprehensive income, net of tax	**-**	**-**	**(1,751)**	**-**	**(71,452)**	**-**	**15,415**	**(57,788)**	**862**	**(56,926)**
Equity-settled share-based transactions (note 10)	**-**	**-**	**-**	**-**	**-**	**33,850**	**-**	**33,850**	**-**	**33,850**
Lapse of share options	**-**	**-**	**-**	**-**	**-**	**(7,661)**	**7,661**	**-**	**-**	**-**
Appropriations to PRC statutory reserves	**-**	**55,471**	**-**	**-**	**-**	**-**	**(55,471)**	**-**	**-**	**-**
Acquisition of additional interest in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**824**	**824**	**(8,485)**	**(7,661)**
Acquisition of a subsidiaries (note 46(a))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51,473**	**51,473**
Balance at 31 December 2018	**6,486,588**	**130,538**	**(48,703)**	**-**	**(36,448)**	**130,020**	**(140,737)**	**6,521,258**	**82,570**	**6,603,828**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	Year ended 31 December **2018** **RMB'000**	 2017 RMB'000
Cash flows from operating activities			
Profit before income tax		**24,824**	124,841
Adjustments for:			
Depreciation of property, plant and equipment	17	**8,788**	8,327
Depreciation of solar power plants	18	**492,452**	356,501
Amortisation of lease prepayments	23	**26,587**	15,750
Equity-settled share-based payment expenses	10	**33,850**	47,395
Foreign exchange (gain)/losses, net		**(2,826)**	4,763
Gain on bargain purchase on acquisition of subsidiaries	46	**(2,504)**	(53,260)
Gain on disposal/deregistration of subsidiaries, net	47	**(2,693)**	(12,031)
Gain on disposal of associates	20	**(5,661)**	–
Write-off/loss on disposal of property, plant and equipment	8	**471**	2,796
Write off of solar power plant	8	**16,103**	–
Net unrealised gain on fair value changes an financial assets measured at fair value through profit or loss	8	**(5,864)**	–
Loss on fair value changes of financial assets held for trading, net	8	**–**	31,619
Net realised loss on disposal of financial assets measured at fair value through profit or loss	8	**53,613**	–
Share of profit of a joint venture	19	**(10,501)**	(26,019)
Share of loss/(profit) of associates	20	**837**	(35)
Interest expense	13	**745,545**	463,548
Interest income	8	**(9,555)**	(29,591)
Dividend income	8	**(23,492)**	(2,260)
(Reversal)/recognition of impairment loss recognised in respect of other receivables, net	8	**(963)**	12,385
Write back of other payables	8	**(9,421)**	–
Operating profit before working capital changes		**1,329,590**	944,729
Decrease in inventories, net		**1,823**	512
Increase in trade, bills and other receivables		**(913,806)**	(314,458)
Increase/(decrease) in trade and other payables		**365,766**	(587,844)
Cash generated from operations		**783,373**	42,939
Tax paid		**(7,656)**	(15,970)
Net cash generated from operating activities		**775,717**	26,969
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		**(7,192)**	(24,387)
Dividend income received		**23,492**	2,260
Payments for construction cost in respect of solar power plants		**(2,396,889)**	(2,539,772)
Payments for purchase of financial assets measured at fair value through other comprehensive income		**(561,070)**	–
Payments for purchase of available-for-sale investments		**–**	(1,244,188)
Receipt from disposal of financial assets measured at fair value through profit or loss	25	**75,062**	–
Receipt from disposal of financial assets measured at fair value through other comprehensive income	24	**47,000**	–
Payments for purchase of lease prepayments		**(16,274)**	(94,743)
Interest received		**9,555**	29,591
Proceeds from disposal of subsidiaries, net of cash disposed	47	**71,840**	76,913
Proceeds from disposal of associates	20	**22,000**	
Payments for purchase of financial assets held for trading		**–**	(495)
(Increase)/decrease in structured bank deposits, net		**(9,230)**	1,125,000
Receipt from/(payments for) acquisition of subsidiaries, net of cash acquired	46	**22,896**	(60,851)
Payments for acquisition of associates, net of cash acquired	20	**(13,431)**	(17,000)
Payment for acquisition of additional interest in subsidiaries		**(8,485)**	–
Net cash used in investing activities		**(2,740,726)**	(2,747,672)

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Capital element of finance leases rentals paid		**(220)**	(114)
Proceeds from new loans and borrowings		**3,319,000**	4,393,402
Repayment of loans and borrowings		**(792,180)**	(1,265,933)
Interest paid		**(615,837)**	(568,697)
Net proceeds from issuance of corporate bonds	35	**225,820**	–
Repayment of corporate bonds	35	**(371,071)**	–
Net cash generated from financing activities		**1,765,512**	2,558,658
Net decrease in cash and cash equivalents		**(199,497)**	(162,045)
Cash and cash equivalent at the beginning of the year		**445,638**	631,507
Effect of foreign exchange rate changes		**10,504**	(23,824)
Cash and cash equivalents at the end of the year		**256,645**	445,638
Cash and cash equivalents as at 31 December, represented by:			
Bank balances and cash	29	**256,310**	445,638
Bank balances and cash included in assets classified as held for sale	30	**335**	–
Cash and cash equivalents at the end of the year		**256,645**	445,638

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 1209–10, 12/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The directors of the Company (the "Directors") 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 solar power plants, provision of solar power plants operation and maintenance services, provision of financial services, trading of liquefied natural gas and asset management. Trading of liquefied natural gas are the Group's new segment during the year.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018

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 2018:

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018 *(continued)*

The impact of the adoption of HKFRS 9 Financial Instruments (see note 2.1A below) and HKFRS 15 Revenue from Contracts with Customers (see note 2.1B below) have been summarised in below. Other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

A HKFRS 9 — Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarise the impact, net of tax, of transition to HKFRS 9 on the opening balance of the Group's accumulated losses and other reserves as of 1 January 2018 as follows:

	Increase/ (Decrease) RMB'000
Accumulated losses	
As at 31 December 2017 (originally stated)	(90,051)
Increase in expected credit losses ("ECLs") in trade, bills and receivables (note 2.1A(ii))	(19,115)
As at 1 January 2018 (restated)	(109,166)
Available-for-sale financial assets reserve	
As at 31 December 2017 (originally stated)	(20,712)
Reclassification of investments from available-for-sale financial assets at fair value to financial assets at fair value through other comprehensive income ("FVOCI") (note 2.1A(i)(I))	20,712
As at 1 January 2018 (restated)	–

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018 *(continued)*

A HKFRS 9 — Financial Instruments (continued)

(i) Classification and measurement of financial instruments *(continued)*

	Increase/ (Decrease) RMB'000
FVOCI reserve	
As at 31 December 2017 (originally stated)	–
Reclassification of investments from available-for-sale financial assets at fair value to FVOCI (note 2.1A(i)(I))	(20,712)
Reclassification of investments from available-for-sale financial assets at cost to FVOCI (note 2.1A(i)(II))	55,716
As at 1 January 2018 (restated)	35,004

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure the financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) FVOCI; or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018 *(continued)*

A HKFRS 9 — Financial Instruments (continued)

(i) Classification and measurement of financial instruments *(continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, FVOCI, FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018 *(continued)*

A HKFRS 9 — Financial Instruments (continued)

(i) Classification and measurement of financial instruments *(continued)*

The following accounting policies are applied to the Group’s financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
FVOCI (equity instruments)	These are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.
Amortised cost	These are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(I) As at 1 January 2018, an unlisted equity investment measured at fair value was reclassified from available-for-sale financial asset at fair value to FVOCI. The Group intends to hold this unlisted equity investment for long-term strategic purposes. In addition, the Group has designated such unlisted equity investment at the date of initial application as measured at FVOCI. As a result, a financial asset with a fair value of approximately RMB830,269,000 was reclassified from available-for-sale financial assets at fair value to FVOCI and its accumulated fair value losses of approximately RMB20,712,000 was reclassified from available-for-sale financial assets reserve to FVOCI reserve as at 1 January 2018.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018 *(continued)*

A HKFRS 9 — Financial Instruments (continued)

(i) Classification and measurement of financial instruments *(continued)*

(II) As at 1 January 2018, certain unlisted equity investments and unlisted partnership investments measured at cost (collectively “available-for-sale financial assets at cost”) were reclassified from available-for-sale financial assets at cost to FVOCI. These available-for-sale financial assets at cost have no quoted price in an active market. The Group intends to hold these available-for-sale financial assets at cost for long-term strategic purposes. In addition, the Group has designated such available-for-sale financial assets at cost at the date of initial application as measured at FVOCI. As at 1 January 2018, the difference between the previous carrying amounts and the fair value of these available-for-sale financial assets at cost amounting to approximately RMB55,716,000 was recognised in the opening FVOCI reserve.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 January 2018:

Financial assets	Notes	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB’000	Carrying amount as at 1 January 2018 under HKFRS 9 RMB’000
Unlisted partnership investments, at cost	24	Available-for-sale financial assets (at cost)	FVOCI	527,500	527,500
Unlisted equity investments, at cost	24	Available-for-sale financial assets (at cost)	FVOCI	218,437	274,153
Unlisted equity investments, at fair value	24	Available-for-sale financial assets (at fair value)	FVOCI	830,269	830,269
				1,576,206	1,631,922
Equity securities listed in Hong Kong	25	Held-for-trading financial assets	FVTPL	71,606	71,606
Equity securities listed in the People’s Republic of China (the “PRC”)	25	Held-for-trading financial assets	FVTPL	128,675	128,675
				200,281	200,281
Trade, bills and other receivables	27	Loans and receivables (note 2.1A(ii))	Amortised cost	3,797,732	3,778,617
Cash and cash equivalents	29	Loans and receivables	Amortised cost	445,638	445,638

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018 *(continued)*

A HKFRS 9 — Financial Instruments (continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECLs model". HKFRS 9 requires the Group to recognise ECL for its trade receivables, financial assets at amortised costs, contract assets and debt investments at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for its trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ECLs for other debt financial assets are based on the 12-months ECLs, which are the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there is a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018 *(continued)*

A *HKFRS 9 — Financial Instruments (continued)*

(ii) Impairment of financial assets *(continued)*

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables arising from sales of electricity

As at 1 January 2018, the Group's trade receivables arising from sales of electricity amounted to approximately RMB1,825,724,000. The settlement of these receivables is regulated by the Central Government of the PRC, and periodic payments have been received with no history of default in the past. Furthermore, no adverse change is anticipated in the business environment. As such, the Group considers that the ECLs in renewable energy subsidies receivables are immaterial.

(b) Impairment of loan receivables arising from provision of financial services

As at 1 January 2018, loan receivables relating to the provision of financial services amounted to approximately RMB82,121,000. To measure the ECLs, these loan receivables have been grouped based on their shared credit risk characteristics. Applying this ECL model results in the recognition of ECL of approximately RMB1,629,000 as at 1 January 2018. During the year ended 31 December 2018, the Group has recognised 9 further impairment loss amounting to approximately RMB1,764,000, saved as which, there was no other material movements in the loss allowances for these loan receivables during the year ended 31 December 2018.

(c) Impairment of trade receivables arising from the trading of solar energy related products

As at 1 January 2018, trade receivables relating to the trading of solar energy related products amounted to approximately RMB40,326,000. To measure the ECLs, the Group estimated the ECL rate of 15% on the receivables past due more than 12 months but less than 24 months and 50% on the receivables past due over 24 months. Applying this ECL model results in the recognition of ECL of approximately RMB10,319,000 as at 1 January 2018. During the year ended 31 December 2018, the Group has recovered an impairment loss previously recognised amounting to approximately RMB2,960,000, saved as which, there was no other material movements in the loss allowances for these loan receivables during the year ended 31 December 2018.

(d) Impairment of trade receivables arising from the trading of liquefied natural gas (New segment during the year)

As at 1 January 2018, there was no trade receivables relating to the trading of liquefied natural gas. No ECL has been recognised during the year ended 31 December 2018 as the Group considered the amount was immaterial.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018 *(continued)*

A *HKFRS 9 — Financial Instruments (continued)*

(ii) Impairment of financial assets *(continued)*

Impact of the ECL model *(continued)*

(e) Impairment of other receivables

As at 1 January 2018, other receivables of the Group amounted to approximately RMB1,848,617,000 and these receivables are considered to be low credit risk. Applying the 12-month ECL model results in the recognition of ECL of approximately RMB7,167,000 as at 1 January 2018. Loss allowances further increased by approximately RMB233,000 for other receivables during the year ended 31 December 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group would assume that credit risk on the asset had not increased significantly since its initial recognition.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2018 *(continued)*

B *HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")*

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

Since 1 January 2018, the Group has adopted the following accounting policies on revenue and the initial application of HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue:

- The Group sells electricity to the power grid companies. Revenue from sales of electricity is recognised over time when the electricity generated and transmitted is simultaneously received and consumed by the power grid companies. The Group has elected the practical expedient to recognise revenue in the amount to which the Group has a right to invoice as the amount represents and corresponds directly with the value of performance completed and transferred to the power grid companies. The Group has no unsatisfied performance obligations at each reporting date.

- The Group provides operation and maintenance services to certain solar power plants. Revenue from provision of solar power plant operation and maintenance is recognised when the services are rendered according to the terms of the service agreements.

- Interest income from provision of financial services is recognised on time-proportion basis using effective interest method.

- Revenue from the trading of liquified natural gas is recognised when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customers' acceptance of the products. As at 31 December 2018, the Group recognised contract liabilities arising from trading of liquefied natural gas amounting to approximately RMB8,038,000.

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/amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 3 (Amendments)	Definition of a Business[3]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[4]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted

[3] Effective for the business combinations and asset acquisition for when the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[4] Effective for annual periods beginning on or after 1 January 2020

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

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

These clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

These clarify that HKFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

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

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

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

These 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.

HKFRS 3 (Amendments) — Definition of a Business

These provide additional guidance on the definition of a business and clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. The amendments also provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

HKAS 1 and HKAS 8 (Amendments) — Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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 87 to 199 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 Hong Kong Companies Ordinance. 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 historical cost convention except for certain investment properties, FVOCI and FVTPL, 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/amend HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

Notwithstanding that the Group had net current assets of approximately RMB2,132,345,000 (2017: net current liabilities of approximately RMB230,301,000) as at 31 December 2018, the financial statements have been prepared on the assumption that the Group can be operated as a going concern.

In preparing the cash flow projection by the management, it was assumed that proceeds of certain renewable energy subsidy receivables in respect of sale of electricity will be received with reference to prevalent payment trend after successfully enlisted in the renewable energy tariff subsidy catalogue. Accordingly, the Directors are of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements in the next twelve months and the financial statements are prepared under going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of such adjustments has not yet been reflected in the financial statements.

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 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 thousands.

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 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 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 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, 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 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 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 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 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 Group'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 Group 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).

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 Group's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Group 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. Accounting policies for impairment on goodwill are set out in note 4.9 in detail.

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

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 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 estimated useful lives, expected 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	25 years

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

4.7 Property, plant and equipment *(continued)*

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and 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.

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, lease prepayments 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.

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

4.9 Impairment of other non-financial assets *(continued)*

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.

4.10 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.

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

4.11 Financial instruments (Accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: These include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

4.11 Financial instruments (Accounting policies applied from 1 January 2018) *(continued)*

(i) *Financial assets (continued)*

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for ECL on its trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. ECLs are measured on either of the following bases: (1) 12 months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. Maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

4.11 Financial instruments (Accounting policies applied from 1 January 2018) *(continued)*

(ii) Impairment loss on financial assets (continued)

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(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/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.

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

4.11 Financial instruments (Accounting policies applied from 1 January 2018) *(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) *Financial guarantee contracts*

This is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of loss allowance, being the ECL provision measured in accordance with principles of the accounting policies set out in note 4.11(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(viii) *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 HKFRS 9.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.11 Financial instruments (Accounting policies prior to 1 January 2018)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policies.

(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 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, these 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 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 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 (Accounting policies prior to 1 January 2018) *(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.

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.

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.

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

4.11 Financial instruments (Accounting policies prior to 1 January 2018) *(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/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

These 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.

(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.

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

4.11 Financial instruments (Accounting policies prior to 1 January 2018) *(continued)*

(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.

4.13 Revenue recognition (Accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

4.13 Revenue recognition (Accounting policies applied from 1 January 2018) *(continued)*

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception./Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) *Sales of electricity*

Revenue from sales of electricity is recognised over time when the electricity generated and transmitted is simultaneously received and consumed by the power grid companies. The Group has elected the practical expedient to recognise revenue in the amount to which the Group has a right to invoice as the amount represents and corresponds directly with the value of performance completed and transferred to the power grid companies. The Group has no unsatisfied performance obligations at each reporting date.

(ii) *Trading of life-like plants/natural liquefied natural gas*

Revenue from trading of life-like plants/liquefied natural gas is recognised when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

(iii) *Provision of solar power plant operation and maintenance services*

Revenue from provision of solar power plant maintenance services is recognised when the services are rendered according to the terms of the services agreements.

(iv) *Other revenue*

Interest income from provision of financial services is recognised on time-proportion basis using effective interest method.

Rental income under operating leases is recognised on straight-line method over the term of the relevant lease.

(v) *Contract liabilities*

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

4.13 Revenue recognition (Accounting policies applied prior to 1 January 2018)

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 income is recognised when the services are provided.

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.

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

4.14 Foreign currency *(continued)*

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the reporting date. Income and expenses have been converted into 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 are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, 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.

Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.16 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.

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

4.16 Income taxes *(continued)*

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

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

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

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

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

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

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

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

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

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

    (i) the same taxable entity; or

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

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

4.17 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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

4.20 Related parties *(continued)*

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

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

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

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

4.21 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; and provision of solar power plant operation and maintenance services.
Liquefied natural gas (New segment during the year)	:	this segment engages in trading of liquefied natural gas.
Financial services	:	this segment engages in provision of loans.
Others	:	this segment engages in trading of solar energy related products; manufacturing and sales of life-like plants; and 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.

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

4.21 Segment reporting *(continued)*

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

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

4.22 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.

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 on straight-line method over the estimated useful life, and after taking into account of their estimated residual value, 4% to 33-1/3% per annum, 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) ECL of financial assets measured at amortised cost

The measurement of the ECL allowance for financial assets measured at amortised cost is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgments, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgements and assumptions used in measuring ECLs is set out in note 2.1A to these financial statements. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised.

(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.

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.

6. SEGMENT INFORMATION

(a) Business segments

The Board, being the chief decision maker, has identified the solar power plants, financial services, trading of liquefied natural gas and other segments as the business components in internal reporting. Information about 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 2018 and 2017 is set out below.

	2018 **RMB'000**	2017 RMB'000
Revenue from contracts with customer within the scope of HKFRS 15:		
Sales of electricity	**1,734,187**	1,254,701
Provision of solar power plant operation and maintenance services	**1,943**	6,482
Trading of liquefied natural gas	**131,659**	–
Others	**316**	3,827
	1,868,105	1,265,010
Revenue from other sources		
Interest income from provision of financial services	**12,891**	13,663
Others	**8**	31
	12,899	13,694
Total revenue	**1,881,004**	1,278,704

Note: The Group has initially applied HKFRS 15 using cumulative effect method, under which, the comparative information is not restated in accordance with HKAS 18 and HKAS 11.

6. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Year ended 31 December 2018				
	Solar power plants RMB'000	Financial services RMB'000	Trading of liquefied natural gas RMB'000	Other segments RMB'000	Total RMB'000
Revenue from external customers	**1,736,130**	**12,891**	**131,659**	**324**	**1,881,004**
Inter-segment revenue	**–**	**–**	**–**	**–**	**–**
Reportable segment revenue	**1,736,130**	**12,891**	**131,659**	**324**	**1,881,004**
Reportable segment profit/(loss) (adjusted EBITDA)	**1,549,546**	**1,282**	**(283)**	**709**	**1,551,254**
Other interest income	**648**	**579**	**1**	**230**	**1,458**
Interest expense	**645,560**	**397**	**–**	**413**	**646,370**
Depreciation and amortisation for the year	**523,239**	**258**	**7**	**530**	**524,034**
Reportable segment assets	**17,117,992**	**218,714**	**47,720**	**4,474**	**17,388,900**
Additions to non-current assets during the year	**242,707**	**47**	**141**	**–**	**242,895**
Reportable segment liabilities	**12,739,593**	**8,523**	**38,329**	**9,104**	**12,795,549**
Primary geographical markets of revenue					
PRC	**1,736,130**	**12,891**	**131,659**	**–**	**1,880,680**
Hong Kong	**–**	**–**	**–**	**324**	**324**
	1,736,130	**12,891**	**131,659**	**324**	**1,881,004**
Timing of revenue recognition					
At a point in time	**–**	**–**	**131,659**	**316**	**131,975**
Transferred over time	**1,736,130**	**12,891**	**–**	**8**	**1,749,029**
	1,736,130	**12,891**	**131,659**	**324**	**1,881,004**

6. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Year ended 31 December 2017			
	Solar power plants RMB'000	Financial services RMB'000	Other segments RMB'000	Total RMB'000
Revenue from external customers	1,261,183	13,663	3,858	1,278,704
Inter-segment revenue	–	–	–	–
Reportable segment revenue	1,261,183	13,663	3,858	1,278,704
Reportable segment profit/(loss) (adjusted EBITDA)	1,189,417	3,895	(3,994)	1,189,318
Interest income (excluding interest income from provision of financial services)	336	–	331	667
Interest expense	404,611	1,721	371	406,703
Depreciation and amortisation for the year	375,222	285	927	376,434
Reportable segment assets	17,096,154	107,512	6,933	17,210,599
Additions to non-current assets during the year	4,361,077	1,373	118	4,362,568
Reportable segment liabilities	12,092,023	5,926	8,718	12,106,667
Primary geographical markets				
PRC	1,261,183	13,663	–	1,274,846
Hong Kong	–	–	3,858	3,858
	1,261,183	13,663	3,858	1,278,704
Timing of revenue recognition				
At a point in time	–	–	3,827	3,827
Transferred over time	1,261,183	13,663	31	1,274,877
	1,261,183	13,663	3,858	1,278,704

6. SEGMENT INFORMATION *(continued)*

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

	2018 **RMB'000**	2017 RMB'000
Revenue		
Reportable segment revenue	**1,881,004**	1,278,704
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**1,881,004**	1,278,704
Profit		
Reportable segment profit	**1,551,254**	1,189,318
Other gains and losses	**70,837**	48,227
Net realised loss on disposal of financial assets measured at fair value through profit or loss	**(53,613)**	–
Net unrealised gain on fair value changes on financial assets measured at fair value through profit or loss	**5,864**	–
Loss on far value of financial assets held for trading, net	**–**	(31,619)
Reversal/(recognition) of impairment loss in respect of other receivables, net	**963**	(12,385)
Depreciation and amortisation	**(527,827)**	(380,578)
Gain on disposal/deregistration of subsidiaries, net	**2,693**	12,031
Gain on disposal of an associate	**5,661**	–
Share of profit of a joint venture	**10,501**	26,019
Share of (loss)/profit of associates	**(837)**	35
Finance costs	**(745,545)**	(463,548)
Equity-settled share-based payment expense	**(33,850)**	(47,395)
Gain on bargain purchase on acquisition of subsidiaries	**2,504**	53,260
Unallocated corporate expense	**(263,781)**	(268,524)
Consolidated profit before income tax expense	**24,824**	124,841
Assets		
Reportable segment assets	**17,388,900**	17,210,599
Interest in associates	**13,290**	17,035
Financial assets measured at fair value through other comprehensive income	**2,047,434**	–
Available-for-sale investments	**–**	1,576,206
Financial assets measured at fair value through profit or loss	**81,143**	–
Financial assets held for trading	**–**	200,281
Structured bank deposits	**9,230**	–
Interest in a joint venture	**331,922**	321,421
Deferred tax assets	**2,360**	–
Unallocated corporate assets	**545,837**	684,550
Consolidated total assets	**20,420,116**	20,010,092
Liabilities		
Reportable segment liabilities	**12,795,549**	12,106,667
Corporate bonds	**275,383**	386,478
Deferred tax liabilities	**–**	1,187
Unallocated corporate liabilities	**745,356**	969,269
Consolidated total liabilities	**13,816,288**	13,463,601

6. SEGMENT INFORMATION *(continued)*

(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 renewable energy subsidies), income from provision of solar power plant operation and maintenance services, interest income generated from provision of financial services and trading of liquefied natural gas. The amount of each significant category of revenue during the year is as follows:

	2018 **RMB'000**	2017 RMB'000
Sales of electricity	**1,734,187**	1,254,701
Provision of solar power plant operation and maintenance services	**1,943**	6,482
Interest income from provision of financial services	**12,891**	13,663
Trading of liquefied natural gas	**131,659**	–
Revenue from other segments	**324**	3,858
Consolidated revenue	**1,881,004**	1,278,704

During the year ended 31 December 2018, sales of electricity includes renewable energy subsidies amounted to approximately RMB1,159,188,000 (2017: RMB841,835,000).

For the years ended 31 December 2018 and 2017, the major customers contributed over 10% of the total revenue of the Group are set out below:

	2018 **RMB'000**	2017 RMB'000
Customer A	**511,920**	296,967
Customer B	**221,925**	193,082

The following table provides information about trade receivables from contracts with customers.

	2018 **RMB'000**	2017 RMB'000
Trade receivables	**2,281,452**	1,824,740
Contract liabilities (note 32)	**8,038**	–

8. OTHER GAINS AND LOSSES

	2018 **RMB'000**	2017 RMB'000
Interest income	**9,555**	29,591
Dividend income	**23,492**	2,260
Net realised loss on disposal of financial assets measured at fair value through profit or loss (note 25)	**(53,613)**	–
Net unrealised gain on fair value changes on financial assets measured at fair value through profit or loss	**5,864**	–
Loss on fair value changes on financial assets held for trading, net	**–**	(31,619)
Net foreign exchange gain	**2,248**	10,807
Written off of solar power plant (note 18)	**(16,103)**	–
Written-off/Loss on disposal of property, plant and equipment	**(471)**	(2,796)
Reversal/(recognition) of impairment loss in respect of trade and other receivables, net	**963**	(12,385)
Write back of other payables	**9,421**	–
Government allowance	**3,991**	–
Service fee income	**11,127**	–
Compensation income	**5,426**	–
Office sublease income	**33,782**	–
Others	**5,731**	5,062
	41,413	920

9. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	2018 **RMB'000**	2017 RMB'000
Auditor's remuneration		
— Audit services	**4,221**	4,100
— Non-audit services	**500**	650
Amortisation of lease prepayments (note 23)	**26,587**	15,750
Cost of inventories	**119,040**	2,307
Depreciation		
— Property, plant and equipment (note 17)	**8,788**	8,327
— Solar power plants (note 18)	**492,452**	356,501
Operating lease charges	**52,351**	29,460

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 **RMB'000**	2017 RMB'000
Salaries, wages and other benefits	**182,267**	141,115
Contributions to defined contribution retirement plan (note 42)	**37,659**	22,029
Equity-settled share-based payment expenses (note 43)	**33,850**	47,395
Total employee benefit expenses (including directors' emoluments)	**253,776**	210,539

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	Bonuses RMB'000	Contributions to defined contribution retirement plan RMB'000	Share-based payments RMB'000 (note)	Total RMB'000
Year ended 31 December 2018						
Chairman and executive director						
Zeng Jianhua[1]	–	5,948	2,506	4	3,776	12,234
Executive directors						
Hou Yue[2]	241	1,423	1,566	–	950	4,180
Deng Chengli[2]	241	1,122	2,506	–	1,518	5,387
Jin Yanbing[2]	230	1,050	2,819	4	849	4,952
Non-executive directors						
Wu Tak Kong[3]	203	–	–	–	–	203
Wang Ke[3]	203	–	–	–	–	203
Independent non-executive directors						
Miu Hon Kit	182	–	–	–	72	254
Chen Kin Shing[4]	203	–	–	–	54	257
Wang Fang[5]	101	–	–	–	54	155
	1,604	9,543	9,397	8	7,273	27,825

11. DIRECTORS' REMUNERATION *(continued)*

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Bonus RMB'000	Contributions to defined contribution retirement plan RMB'000	Share-based payments RMB'000 (note)	Total RMB'000
Year ended 31 December 2017						
Chairman and executive director						
Zeng Jianhua[1]	–	7,614	–	–	3,690	11,304
Executive directors						
Hou Yue[2]	174	1,784	–	–	783	2,741
Deng Chengli[2]	174	1,266	–	–	1,682	3,122
Jin Yanbing[2]	194	1,300	–	–	693	2,187
Liu Wen Ping[6]	35	312	–	5	799	1,151
Chang Hoi Nam[6]	104	–	–	5	48	157
Non-executive directors						
Wu Tak Kong[3]	27	–	–	–	–	27
Wang Ke[3]	27	–	–	–	–	27
Yuen Kin[7]	178	–	–	–	42	220
Mao Yumin[8]	28	–	–	–	6	34
Ma Ji[9]	52	–	–	–	57	109
Chang Tat Joel[10]	17	–	–	–	7	24
Independent non-executive directors						
Miu Hon Kit	187	–	–	–	214	401
Chen Kin Shing[4]	149	–	–	–	37	186
Wang Fang[5]	98	–	–	–	48	146
Wang Haisheng[6]	35	–	–	–	13	48
Lu Hongda[10]	9	–	–	–	15	24
	1,488	12,276	–	10	8,134	21,908

[1] appointed as Chairman and executive director on 6 March 2017
[2] appointed as executive director on 13 April 2017
[3] appointed as non-executive director on 14 November 2017
[4] appointed as independent non-executive director on 13 April 2017
[5] appointed as independent non-executive director on 24 January 2017
[6] resigned on 13 April 2017
[7] appointed as non-executive director on 24 January 2017 and resigned on 14 November 2017
[8] appointed as non-executive director on 13 April 2017 and resigned on 26 May 2017
[9] resigned on 6 March 2017
[10] 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 43.

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three of them (2017: three) were directors of the Company whose emoluments are included in note 11. The emoluments of the remaining two (2017: two) individuals are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other emoluments	**4,391**	3,366
Bonuses	**5,534**	–
Contributions to defined contribution retirement plan	**15**	31
Equity-settled share-based payment expenses	**8,099**	12,892
	18,039	16,289

The emoluments of the above two (2017: two) highest paid individuals fell within the following bands:

Emolument band	**Number of individuals** **2018**	2017
HK$ Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$10,000,000	**1**	2
HK$10,000,001 to HK$15,000,000	**1**	–

During the years ended 31 December 2018 and 2017, 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 2018 and 2017.

13. FINANCE COSTS

	2018 **RMB'000**	2017 RMB'000
Interest on loans and borrowings	**732,198**	537,767
Imputed interest on corporate bonds (note 35)	**37,318**	37,710
Finance charges on obligations under finance leases	**5**	19
Total interest expense on financial liabilities not at fair value through profit or loss	**769,521**	575,496
Less: interest expense capitalised into solar power plants under construction# (note 18)	**(23,976)**	(111,948)
	745,545	463,548

For the year ended 31 December 2018, borrowing cost has been capitalised at a rate of approximately 7.41% (2017: 10%) per annum.

14. INCOME TAX EXPENSE

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

	2018 **RMB'000**	2017 RMB'000
Current tax		
— PRC corporate income tax	**10,104**	3,117
— Under-provision in prior years	**803**	1,671
	10,907	4,788
Deferred tax (note 36)	**(2,360)**	–
	8,547	4,788

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 2018 and 2017.

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

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 plant 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 at applicable tax rates:

	2018 **RMB'000**	2017 RMB'000
Profit before income tax	**24,824**	124,841
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**14,643**	41,100
Tax effect of non-deductible expenses	**5,049**	9,153
Tax effect of non-taxable income	**(5,524)**	(19,240)
Tax effect of PRC preferential tax treatment	**(75,834)**	(103,425)
Tax effect of tax loss not recognised	**71,771**	75,529
Under provision in prior years	**803**	1,671
Tax effect of temporary difference	**(2,361)**	–
Income tax expense	**8,547**	4,788

15. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2018			2017		
	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 will not be reclassified subsequently to profit or loss:						
Fair value changes in financial assets measured at fair value through other comprehensive income, net (note 24)	**(71,452)**	**-**	**(71,452)**	–	–	–
Fair value changes in available-for-sale investments (note 24)	**-**	**-**	**-**	(20,712)	–	(20,712)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations	**(1,732)**	**-**	**(1,732)**	3,263	–	3,263
Release of exchange reserve upon disposal of subsidiaries (note 47)	**(19)**	**-**	**(19)**	(231)	–	(231)
	(73,203)	**-**	**(73,203)**	(17,680)	–	(17,680)

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2018 is based on profit attributable to owners of the Company for the year of approximately RMB15,415,000 (2017: RMB119,020,000) and approximately 14,964,442,000 ordinary shares in issue during the years ended 31 December 2018 and 2017.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2018 is based on profit attributable to owners of the Company for the year of approximately RMB15,415,000 (2017: RMB119,020,000) and on the weighted average number of approximately 14,964,442,000 (2017: 15,003,282,000) ordinary shares in issue during the year, after the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (after the effects of all dilutive potential ordinary shares)

	Number of shares	
	2018 **'000 shares**	2017 '000 shares
For the purpose of the calculation of basic earnings per share	**14,964,442**	14,964,442
Effect of dilutive potential ordinary shares in respect of share options	**–**	38,840
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	**14,964,442**	15,003,282

Diluted earnings per share for the year ended 31 December 2018 was the same as basic earnings per share because the impact of the exercise of share options was anti-dilutive.

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 2017	17,356	6,729	8,301	10,341	42,727
Additions	7,298	1,717	2,199	13,173	24,387
Disposals	(5,371)	–	–	–	(5,371)
Disposal of subsidiaries (note 47)	–	–	–	(483)	(483)
Exchange realignment	(772)	(428)	(48)	(40)	(1,288)
At 31 December 2017 and 1 January 2018	18,511	8,018	10,452	22,991	59,972
Additions	2,340	241	1,379	3,232	7,192
Acquisition of subsidiaries (note 46)	–	–	98	52	150
Disposal of subsidiaries (note 47)	(14)	–	(317)	(26)	(357)
Transferred to assets of a disposal group classified as held for sale (note 30)	(8,236)	(6,475)	(725)	(79)	(15,515)
Written off	–	–	–	(620)	(620)
Exchange realignment	284	175	7	344	810
At 31 December 2018	12,885	1,959	10,894	25,894	51,632
Accumulated Depreciation					
At 1 January 2017	7,143	6,049	1,601	2,632	17,425
Charged for the year (note 9)	2,883	186	1,800	3,458	8,327
Written back on disposals	(2,575)	–	–	–	(2,575)
Disposal of subsidiaries (note 47)	–	–	–	(29)	(29)
Exchange realignment	(429)	(203)	(11)	(107)	(750)
At 31 December 2017 and 1 January 2018	7,022	6,032	3,390	5,954	22,398
Charged for the year (note 9)	2,079	733	2,029	3,947	8,788
Written off	–	–	–	(149)	(149)
Disposal of subsidiaries (note 47)	(5)	–	(196)	(3)	(204)
Transferred to liabilities of a disposal group classified as held for sales (note 30)	(6,420)	(6,301)	(283)	(61)	(13,065)
Exchange realignment	114	102	5	609	830
At 31 December 2018	2,790	566	4,945	10,297	18,598
Net carrying amount					
At 31 December 2017	11,489	1,986	7,062	17,037	37,574
At 31 December 2018	10,095	1,393	5,949	15,597	33,034

At 31 December 2018, there were no buildings pledged as securities for the Group's loans and borrowings (note 33). As at 31 December 2017, certain buildings with carrying amount of RMB688,000 was pledged as security for the Group's loans and borrowings.

18. SOLAR POWER PLANTS

	Solar power plants RMB'000	Solar power plants under construction RMB'000	Total RMB'000
Cost			
At 1 January 2017	7,180,727	2,398,993	9,579,720
Acquisition of subsidiaries (note 46)	1,878,844	192,246	2,071,090
Additions	6,973	2,129,845	2,136,818
Interest expense capitalised in solar power plants under construction (note 13)	–	111,948	111,948
Reclassification upon completion	3,225,108	(3,225,108)	–
Disposal of a subsidiary (note 47)	–	(35,844)	(35,844)
At 31 December 2017 and 1 January 2018	12,291,652	1,572,080	13,863,732
Additions	8,012	214,731	222,743
Interest expense capitalised in solar power plants under construction (note 13)	–	23,976	23,976
Reclassification upon completion	1,296,731	(1,296,731)	–
Disposal of a subsidiary (note 47)	(314,354)	(64,155)	(378,509)
Write off (note 8)	–	(16,103)	(16,103)
At 31 December 2018	13,282,041	433,798	13,715,839
Accumulated depreciation			
At 1 January 2017	300,746	–	300,746
Charged for the year (note 9)	356,501	–	356,501
At 31 December 2017 and 1 January 2018	657,247	–	657,247
Charged for the year (note 9)	492,452	–	492,452
Disposal of a subsidiary (note 47)	(28,316)	–	(28,316)
At 31 December 2018	1,121,383	–	1,121,383
Net carrying amount			
At 31 December 2017	11,634,405	1,572,080	13,206,485
At 31 December 2018	12,160,658	433,798	12,594,456

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

18. SOLAR POWER PLANTS *(continued)*

As at 31 December 2018, certain solar power plants with carrying amount of approximately RMB1,642,812,000 (2017: RMB1,519,353,000) were built on lands in the PRC which the Group has not yet paid the related land premium and obtained the relevant title certificates. With reference to the legal opinion from a PRC lawyer, the Directors do not expect any legal obstacles for the Group in obtaining the relevant title certificates.

As at 31 December 2018, certain solar plants with carrying amount of approximately RMB8,027,467,000 (2017: RMB7,455,097,000) were pledged as securities for the Group's loans and borrowings (note 33).

19. INTEREST IN A JOINT VENTURE

	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**321,421**	295,402
Share of profit for the year	**10,501**	26,019
At end of the year	**331,922**	321,421

As at 31 December 2018 and 2017, 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 activities**
江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*) ("Kong Sun Baoyuan")	Incorporated	PRC	55% (2017: 55%) (note 54(i))	Finance leases and factoring businesses

Kong Sun Baoyuan was incorporated in the PRC and is primarily engaged in the finance leases and factoring businesses 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 obligations for 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 2018 and 2017 respectively.

As at 31 December 2018, the Group executes guarantees with respect to loans of approximately RMB92,873,000 (2017: RMB138,211,000) granted by independent third parties to Kong Sun Baoyuan, under which the Group is liable to pay the proportionate share if independent third parties are unable to recover the loan from the Kong Sun Baoyuan.

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

Summarised financial information of the joint venture

Set out below are the summarised financial information of Kong Sun Baoyuan, extracted from its management accounts for the years ended 31 December 2018 and 2017:

	2018 **RMB'000**	2017 RMB'000
Non-current assets	**361,789**	385,346
Current assets (including cash and cash equivalents of approximately RMB58,656,000 (2017: RMB30,582,000))	**432,426**	507,381
Non-current liabilities	**(80,921)**	(182,465)
Current liabilities	**(109,800)**	(125,860)
Revenue	**57,247**	91,236
Profit and total comprehensive income for the year	**19,092**	47,307
Depreciation	**(109)**	(194)
Interest income	**551**	573
Income tax expense	**(5,697)**	(12,053)

Reconciliation of the above summarised financial information to the carrying amount of the investment in Kong Sun Baoyuan recognised in the consolidated financial statements:

	2018 **RMB'000**	2017 RMB'000
Equity attributable to the owners of Kong Sun Baoyuan	**603,494**	584,402
Proportion of the Group's ownership interests	**55%**	55%
Carrying amount of the Group's investment in Kong Sun Baoyuan	**331,922**	321,421

20. INTERESTS IN ASSOCIATES

	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**17,035**	–
Acquisition of associates (note (a))	**13,431**	17,000
Share of (loss)/profit for the year	**(837)**	35
Disposals (note (b))	**(16,339)**	–
At end of the year	**13,290**	17,035

Particulars of the associates as at 31 December 2018 and 2017 are as follows:

Name	**Place of incorporation and principal place of operation**	**Percentage of ownership interest/ voting rights**	**Principal activity**
北京江山中醫可視化科技股份有限公司(Beijing Jiangshan Zhongyi Keshihua Technology Co., Ltd.*) ("Zhongyi Keshihua")	PRC	Nil (2017: 34%)	Medical research and development, leasing of medical equipment and healthcare management businesses in the PRC
通服商業保理有限責任公司 (Tongfu Commercial Factoring Co., Ltd.*) ("Tongfu")	PRC	10% (2017: Nil)	Factoring business
蘇州中能鼎立電子商務有限公司 (Suzhou Zhongneng Dingli E-commercial Co., Ltd.*) ("Suzhou Zhongneng")	PRC	10% (2017: Nil)	Liquefied Natural Gas ("LNG") trading platform development and business in relation to LNG management
東台瀾晶光伏有限公司 (Dongtai Lanjing Photovoltaic Co., Ltd.*) ("Dongtai Lanjing")	PRC	36.79% (2017: Nil)	Solar power generation and development

The arrangement of the above investments provided the Group with the power to participate in the financial and operating decision but was not in control nor jointly control over those policies. Under HKAS 28, these entities were classified as associates and had been accounted for in the consolidated financial statements using equity method for the years ended 31 December 2018 and 2017 respectively.

20. INTERESTS IN ASSOCIATES *(continued)*

Set out below are the summarised financial information of immaterial associates, extracted from their unaudited management accounts for the years ended 31 December 2018 and 2017:

	2018 **RMB'000**	2017 RMB'000
Aggregate carrying amount of individually immaterial associates	**120,224**	50,102
(Loss)/profit and total comprehensive income for the year	**(3,285)**	102

(a) On 4 January 2018, 16 July 2018 and 1 November 2018, the Group acquired 10% equity interest in Tongfu, 36.79% equity interest in Dongtai Lanjing and 10% equity interest in Suzhou Zhongneng at a cash consideration of approximately RMB5,000,000, approximately RMB1,764,000 and approximately RMB6,667,000, respectively.

(b) On 10 October 2018, the Group entered into an agreement dispose of all of its 34% equity interest in Zhongyi Keshihua at a cash consideration of approximately RMB22,000,000, resulting in a gain on disposal of approximately RMB5,661,000. The disposal of Zhongyi Keshihua was completed on 31 December 2018. Upon completion of the disposal, Zhongyi Keshihua ceased to be classified as an associate.

21. INVESTMENT PROPERTIES

	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**920**	984
Disposal of subsidiaries (note 47)	**(927)**	–
Exchange realignment	**7**	(64)
At end of the year	**–**	920

Management considers that there is no impairment indication in respect of the Group's investment properties as at 31 December 2017.

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. No unrealised fair value gain or loss arising from investment was recognised in profit or loss for the years ended 31 December 2018 and 2017.

22. GOODWILL

	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**148,451**	146,657
Acquired through business combinations (note 46(a))	**746**	1,794
At end of the year	**149,197**	148,451

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

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

Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2017: 2%). 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 8.81% to 18.07% (2017: 10.17% to 15.92%). 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 2017	38,161	107,805	145,966
Acquisition of subsidiaries (note 46(a))	–	49,450	49,450
Additions	1,856	92,887	94,743
At 31 December 2017 and 1 January 2018	40,017	250,142	290,159
Additions	1,290	14,984	16,274
Disposal of a subsidiary (note 47)	–	(1,621)	(1,621)
At 31 December 2018	41,307	263,505	304,812
Accumulated amortisation			
At 1 January 2017	1,951	15,220	17,171
Amortisation for the year	1,691	14,059	15,750
At 31 December 2017 and 1 January 2018	3,642	29,279	32,921
Amortisation for the year	1,998	24,589	26,587
Disposal of a subsidiary (note 47)	–	(624)	(624)
At 31 December 2018	5,640	53,244	58,884
Net carrying amount			
At 31 December 2017	36,375	220,863	257,238
At 31 December 2018	35,667	210,261	245,928

The balance 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 was 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 2018, certain land use rights with carrying amount of approximately RMB774,000 (2017: RMB821,000) were pledged as securities for the Group's loans and borrowings (note 33).

24. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018 **RMB'000**	2017 RMB'000
Financial assets measured at fair value through other comprehensive income		
Unlisted partnership investments (note (a))	**1,041,727**	–
Unlisted equity investments (notes (b) and (c))	**1,005,707**	–
	2,047,434	–
Available-for-sale investments		
Unlisted partnership investments, at cost (note (a))	**–**	527,500
Unlisted equity investments, at cost (note (b))	**–**	218,437
Unlisted equity investments, at fair value (note (c))	**–**	830,269
	–	1,576,206

Available-for-sale investment of approximately RMB1,576,206,000 as at 1 January 2018 were reclassified to financial assets measured at fair value through other comprehensive income upon the adoption of HKFRS 9 (note 2.1A).

Notes:

(a) As at 31 December 2018 and 2017, the Group's unlisted partnership investments included the followings:

(i) On 21 August 2018, a wholly-owned subsidiary of the Company, as a junior limited partner, and the other two partners, being independent third parties to the Group, entered into a limited partnership, namely 蘇州君盛晶石股權投資合夥企業(有限合夥) (Suzhou Junsheng Jingshi Equity Investment Partnership (Limited Partnership)*) ("Suzhou Junsheng Limited Partnership") pursuant to the partnership agreement ("Suzhou Junsheng Partnership Agreement") for carrying out investments in high-tech, energy sector and other high growth unlisted enterprises. Pursuant to the Suzhou Junsheng Partnership Agreement, the total capital contribution of Suzhou Junsheng Limited Partnership shall amount to RMB1,000,100,000, in which the Group's capital contribution is approximately 49.995% (equivalent to approximately RMB500,000,000). As at 31 December 2018, the Group's actual capital contribution paid in Suzhou Junsheng Limited Partnership was approximately RMB400,000,000 (at fair value) (2017: Nil).

As at 31 December 2018, there remains available capital of RMB200,000,000 to Suzhou Junsheng Limited Partnership for further investments. On 29 January 2019, the Group entered into investment and repurchase agreements ("Investment and Repurchase Agreement") with Suzhou Junsheng Limited Partnership, pursuant to which, Suzhou Junsheng Limited Partnership contributed a capital of RMB185,000,000 to 朔州市永暘新能源有限公司 (Shuozhou City Yongyang New Energy Limited*) ("Shuozhou Yongyang"), a wholly owned subsidiary of the Company which primarily engaged in wind power generation and development, and holds approximately 99.46% equity interests of Shuozhou Yongyang, upon completion of the capital contribution. Pursuant to the Investment and Repurchase Agreements, Suzhou Junsheng Limited Partnership shall transfer to the Group approximately 99.46% equity interests of Shuozhou Yongyang, held by Suzhou Junsheng Limited Partnership, after payment by the Group to the Suzhou Junsheng Limited Partnership of all of the consideration for the transfer. In view of the Group's power to control the financial and operating policies of Shuozhou Yongyang so as to direct their relevant activities and to obtain significant economic benefits from its activities, the directors of the Company are of the opinion that the arrangement under the Investment and Repurchase Agreements is in substance a financing arrangement with the pledge of the equity interests of Shuozhou Yongyang and therefore Shuozhou Yongyang are treated as a wholly-owned subsidiaries of the Company.

Pursuant to Suzhou Junsheng Partnership Agreement, Suzhou Junsheng Limited Partnership shall make investments that preserve and increase the value of its assets, and may place idle funds into bank deposits, currency markets and other cash-type assets. Furthermore, it may not borrow debt or provide external guarantees, and cannot engage in high-risk investments such as gold, artwork, real estate project, futures and financial derivatives. Suzhou Junsheng Limited Partnership also cannot invest in products or areas that may harm its reputation of its partners or in areas prohibited by law. In order to manage investment risks, the Group will, through the investment decision committee of Suzhou Junsheng Limited Partnership, procure that Suzhou Junsheng Limited Partnership carefully selects investment targets and properly manages invested assets.

Details of Suzhou Junsheng Limited Partnership are set out in the Company's announcement and circular dated 21 August 2018 and 21 December 2018, respectively. Further details of the underlying investments made by Suzhou Junsheng Limited Partnership are set out in note 3 of note 44 to the financial statements in this annual report.

24. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Notes: *(continued)*

(a) *(continued)*

(ii) On 13 December 2017, a wholly-owned subsidiary of the Company, as a junior limited partner, and the other two partners, being independent third parties to the Group, entered into a limited partnership, namely 台州久安股權投資合夥企業(有限合夥) (Taizhou Jiuan Equity Investment Partnership (Limited Partnership)*) ("Taizhou Jiuan Limited Partnership") pursuant to the partnership agreement ("Taizhou Jiuan Partnership Agreement") for carrying out investments in high-tech, new industries, energy sector and other high growth unlisted enterprises. Pursuant to the Taizhou Jiuan Partnership Agreement, the total capital contribution of Taizhou Jiuan Limited Partnership shall amount to RMB2,501,000,000, in which the Group's capital contribution is approximately 19.99% (equivalent to approximately RMB500,000,000). As at 31 December 2018, the Group's actual capital contribution paid in Taizhou Jiuan Limited Partnership was approximately RMB300,000,000 (at fair value) (2017: RMB200,000,000 (at cost)).

Pursuant to Taizhou Jiuan Partnership Agreement, Taizhou Jiuan Limited Partnership shall make investments that preserve and increase the value of its assets, and may place idle funds into bank deposits, currency markets and other cash-type assets. Furthermore, it may not borrow debt or provide external guarantees, and cannot engage in high-risk investments such as gold, artwork, real estate project, futures and financial derivatives. Taizhou Jiuan Limited Partnership also cannot invest in products or areas that may harm its reputation of its partners or in areas prohibited by law. In order to manage investment risks, the Group will, through the investment decision committee of Taizhou Jiuan Limited Partnership, procure that Taizhou Jiuan Limited Partnership carefully selects investment targets and properly manages invested assets.

Details of the Taizhou Jiuan Limited Partnership are set out in the Company's announcements dated 30 September 2017 and 13 December 2017, respectively. Further details of the underlying investments made by Taizhou Jiuan Limited Partnership are set out in note 6 of note 44 to the financial statements in this annual report.

(iii) On 22 September 2017, a wholly-owned subsidiary of the Company, as a senior limited partner, and the other two partners, being independent third parties to the Group, entered into a limited partnership, namely 霍爾果斯鑫和優美股權投資合夥企業(有限合夥) (Huoerguosi Xinheyoumei Equity Investment Partnership (Limited Partnership)* ("Huoerguosi Limited Partnership"), pursuant to the partnership agreement ("Huoerguosi Partnership Agreement") for carrying out investments primarily in elderly care, tourism and cultural industries. Pursuant to Huoerguosi Partnership Agreement, the total capital contribution of Huoerguosi Limited Partnership shall amount to RMB200,000,000, in which the Group's capital contribution is approximately 89.55% (equivalent to approximately RMB179,100,000). As at 31 December 2018, the Group's actual capital contribution paid in Huoerguosi Limited Partnership was approximately RMB86,727,000 (at fair value) (2017: RMB27,500,000 (at cost)).

(iv) On 30 September 2016, a wholly-owned subsidiary of the Company, as a limited partner, entered into a participation agreement (the "Gaoxin Participation Agreement") with three other partners, being independent third parties to the Group, pursuant to which, the Group agreed to participate in 湖南健康養老產業投資基金企業(有限合夥) (Hunan Healthcare Investment Fund Corp. (Limited Partnership)*) (the "Hunan Healthcare Fund") for carrying out investments primarily in healthcare industries. Pursuant to the Gaoxin Participation Agreement, the total capital contribution of the Hunan Healthcare Fund shall amount to RMB505,000,000, in which the Group's capital contribution is approximately 29.70% (equivalent to approximately RMB150,000,000). As at 31 December 2017, the Group's actual capital contribution paid in the Hunan Healthcare Fund was approximately RMB45,000,000 (at cost). During the year ended 31 December 2018, the Group has disposed of all of the approximately 29.70% equity interest in Hunan Healthcare Fund at a cash consideration of approximately RMB45,000,000 to an independent third party to the Group.

(v) On 11 October 2016, a wholly-owned subsidiary of the Company, as a junior limited partner, and the other two partners (collectively, the "Partners"), being independent third parties to the Group, entered into a partnership agreement (the "Jiaxing Shengshi Agreement"), pursuant to which all parties agreed to establish a limited partnership, namely 嘉興盛世神州永贏投資合夥企業(有限合夥) (Jiaxing Shengshi Shenzhou Yongying Investment Partnership (Limited Partnership)*) ("Jiaxing Shengshi Limited Partnership") for carrying out investments primarily in the high-tech and emerging industries, the energy industry and other high-growth unlisted enterprises. Pursuant to the Jiaxing Shengshi Agreement, the total capital contribution of Jiaxing Shengshi Limited Partnership shall be RMB3,001,000,000, in which the Group's capital contribution is approximately 15% (equivalent to approximately RMB450,000,000). On 19 December 2016, the Partners entered into a supplemental agreement to the Jiaxing Shengshi Agreement, pursuant to which the Partners agreed to reduce the size of the total capital contribution from RMB3,001,000,000 to RMB1,701,000,000, in which the Group's capital contribution is approximately 15% (equivalent to approximately RMB255,000,000). As at 31 December 2018, the Group's actual capital contribution paid in Jiaxing Shengshi Limited Partnership was approximately RMB255,000,000 (at fair value) (2017: RMB255,000,000 (at cost)).

Details of the Jiaxing Shengshi Limited Partnership are set out in the Company's announcements dated 11 October 2016, 18 October 2016 and 19 December 2016, respectively. Further details of the underlying investments made by Jiaxing Shengshi Limited Partnership are set out in notes 1 and 2 of note 44 to the financial statements in this annual report.

24. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Notes: *(continued)*

(b) As at 31 December 2018 and 2017, included in the Group's unlisted equity investments, included the followings:

(i) On 30 December 2016 and 27 February 2017, the Group entered into two subscription agreements 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 joint stock company incorporated in the PRC, being independent third party to the Group, to subscribe for 6,600,000 shares and 57,124,844 shares of Hohhot Jingu Bank respectively at RMB3 per subscription share (the "Subscription A" and the "Subscription B", respectively). On 14 December 2017, the Group entered into another subscription agreement with Hohhot Jingu Bank to subscribe for 24,875,156 subscription shares at RMB3 per subscription share at total consideration of approximately RMB74,625,000 (the "Subscription C"). On 12 June 2018, the Group entered into a termination agreement (the "Termination Agreement") with Hohhot Jingu Bank to terminate the Subscription C.

The total consideration of the Subscription A and Subscription B was approximately RMB191,174,000. During the year ended 31 December 2018, the Group received bonus issue of 8,875,316 shares of Hohhot Jingu Bank. Upon the receipt of bonus issue and as at 31 December 2018, the Group held an aggregate of 72,600,160 shares of Hohhot Jingu Bank, representing approximately 4.89% of the issued share capital of Hohhot Jingu Bank (2017: 63,724,844 shares of Hohhot Jingu Bank, representing approximately 4.98% of the issued share capital of Hohhot Jingu Bank).

Details of the subscription agreements and the Termination Agreement with Hohhot Jingu Bank are set out in the Company's announcements dated 27 February 2017, 14 December 2017 and 22 June 2018, respectively.

For the year ended 31 December 2018, a fair value loss of approximately RMB54,341,000 (2017: a fair value gain of approximately RMB55,716,000) was recognised in other comprehensive income. As at 31 December 2018, the approximately 4.89% equity interests in Hohhot Jingu Bank of approximately RMB192,549,000 (at fair value) was determined with reference to the valuation report prepared by China Appraisals Associates, an independent professional qualified valuer. As at 31 December 2017, the approximately 4.98% equity interests in Hohhot Jingu Bank of approximately RMB191,174,000 (at cost) was recognised as available-for-sale investments — unlisted equity investments, at cost.

Upon the adoption of HKFRS 9, the available-for-sale investments in Hohhot Jingu Bank of approximately RMB191,174,000 as at 31 December 2017 were reclassified to financial assets measured at fair value through other comprehensive income with a fair value gain of approximately RMB55,716,000. The fair value of Hohhot Jingu Bank as at 1 January 2018 was determined with reference to the valuation report prepared by China Appraisals Associates, an independent professional qualified valuer, and has been restated on the opening balance of fair value through other comprehensive income reserve as at 1 January 2018.

(ii) On 15 December 2016, a wholly-owned subsidiary of the Company entered into an equity transfer agreement with an independent third party to the Group, to acquire 1% equity interest in 北京金鋒實驗室科技有限公司 (Beijing Jinfeng Laboratory Technology Limited*) (Formerly known as 北京金鋒益生物科技研究院有限公司 (Beijing Jinfengyi Biotechnology Research Institute Limited*)) ("Beijing Jinfeng") in a consideration of RMB1,000,000. As at 31 December 2017, the 1% equity interest in Beijing Jinfeng amounted to RMB1,000,000 (at cost)). During the year ended 31 December 2018, the Group has disposed of the 1% equity interest in Beijing Jinfeng at a cash consideration of approximately RMB2,000,000. Beijing Jinfeng is biotechnology company in the PRC.

(iii) On 23 May 2016, a wholly-owned subsidiary of the Company entered into an equity transfer agreement with an individual, being independent third party to the Group, to acquire 100% equity interests of 北京四海盈辰投資有限公司 (Beijing Sihai Ying Chen Investment Limited*) ("Beijing Sihai") ("Beijing Sihai Acquisition"). As such, Beijing Sihai is a wholly-owned subsidiary of the Group as at 31 December 2018 and 2017. As at the date of the Beijing Sihai Acquisition, Beijing Sihai held 25% equity interest in 北京潤豐元大小額貸款有限公司 (Beijing Runfeng Yuanda Microfinance Limited*) ("Runfeng Yuanda"). As at 31 December 2017, the 25% equity interests in Runfeng Yuanda amounted to approximately RMB26,263,000 (at cost). During the year ended 31 December 2018, the Group proceeded further acquisition of 30% equity interest in Runfeng Yuanda at a cash consideration of approximately RMB30,000,000. Upon completion of this further acquisition, the Group would have control over Runfeng Yuanda, which in turn enable the Group to exercise power over Runfeng Yuanda. As at 1 November 2018, the fair value of the 25% equity interest of approximately RMB27,106,000 has been reclassified from "financial assets at fair value through other comprehensive income" to "interests in subsidiaries" (note 46). The principal activity of Runfeng Yuanda is microfinance businesses in the PRC.

24. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Notes: *(continued)*

(c) As at 31 December 2018, the unlisted equity investment, at fair value, represents approximately 2.52% (2017: 2.52%) and approximately 1.38% (2017: 1.59%) of the total number of domestic shares and the total number of shares (including domestic shares and H-shares) of Bank of Jinzhou Co., Ltd. ("Jinzhou Bank"), respectively. On 30 March 2017, a wholly-owned subsidiary of the Company entered into two share transfer agreements with two venders, being independent third party to the Group, to acquire 107,500,000 domestic shares of Jinzhou Bank, a bank based in the PRC, at the price of RMB7.9161 per domestic share. The total consideration of the acquisition of the shares of Jinzhou Bank was approximately RMB850,981,000. Details of the acquisitions are set out in the Company's announcements dated 30 March 2017 and 31 March 2017, respectively.

The unlisted equity investment in Jinzhou Bank is measured at fair value. For the year ended 31 December 2018, a fair value loss of approximately RMB17,111,000 (2017: RMB20,712,000) was recognised in other comprehensive income. The fair value of the unlisted equity investment of Jinzhou Bank as at 31 December 2018 of approximately RMB813,158,000 (2017: RMB830,269,000) was determined with reference to the valuation report prepared by China Appraisals Associates, an independent professional qualified valuer.

Given that the Group has no power to govern or participate in the financial and operating policies of above partnerships and investment entities so as to obtain benefits from their activities and does not intend to trade for short-term profit, the directors of the Company designated the above unlisted investment as financial assets at fair value through other comprehensive income.

As at 31 December 2018, the unlisted equity investments measured at fair value with the carrying amount of approximately RMB813,158,000 (2017: RMB830,269,000) were pledged as securities for the Group's loans and borrowings (note 33).

25. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS/FINANCIAL ASSETS HELD FOR TRADING

	2018 **RMB'000**	2017 RMB'000
Financial assets measured at fair value through profit or loss		
Equity securities listed in Hong Kong	**81,143**	–
Financial assets held for trading		
Equity securities listed in Hong Kong	**–**	71,606
Equity securities listed in the PRC	**–**	128,675
	81,143	200,281

Financial assets held for trading of approximately RMB200,281,000 as at 1 January 2018 were reclassified to financial assets measured at fair value through profit or loss upon the adoption of HKFRS 9.

During the year ended 31 December 2018, the Group disposed of all of its equity securities investment listed in the PRC at a consideration of approximately RMB75,062,000, resulting in a net realised loss on disposal of financial assets measured at fair value through profit or loss of approximately RMB53,613,000 (note 8).

As at 31 December 2018 and 2017, 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

	2018 **RMB'000**	2017 RMB'000
Liquefied natural gas	**2,394**	–
Solar power plants — consumables	**664**	1,111
	3,058	1,111

27. TRADE, BILLS AND OTHER RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables	**2,446,256**	1,906,861
Bills receivables	**42,335**	42,254
Impairment provision for trade receivables	**(10,752)**	–
Trade and bills receivables, net (note (i))	**2,477,839**	1,949,115
Other receivables, prepayments and deposits	**2,175,637**	1,848,617
Impairment provision for other receivables	**(7,400)**	–
Other receivables, prepayments and deposits, net	**2,168,237**	1,848,617
	4,646,076	3,797,732

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

	2018 **RMB'000**	2017 RMB'000
Less than 3 months	**543,311**	390,239
Over 3 months but less than 6 months	**347,084**	385,697
Over 6 months but less than 12 months	**611,903**	513,272
Over 12 months but less than 24 months	**855,600**	613,652
Over 24 months	**119,941**	46,255
	2,477,839	1,949,115

27. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

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

	2018 **RMB'000**	2017 RMB'000
Neither past due nor impaired	**331,174**	190,703
Less than 3 months past due	**315,650**	338,836
Over 3 months but less than 6 months past due	**361,656**	418,161
Over 6 months but less than 12 months past due	**591,649**	409,699
Over 12 months but less than 24 months past due	**773,377**	546,593
Over 24 months past due	**104,333**	45,123
	2,477,839	1,949,115

Movements in provision for impairment of trade and other receivables for the year ended 31 December 2018 are as follows:

	Trade receivables RMB'000	**Other receivables RMB'000**	**Total RMB'000**
At 1 January 2018 (restated) (note 2.1A(ii))	**11,948**	**7,167**	**19,115**
Impairment provision for the year	**1,764**	**233**	**1,997**
Recovery of impairment loss previously recognised	**(2,960)**	**–**	**(2,960)**
At 31 December 2018	**10,752**	**7,400**	**18,152**

Notes:

(i) The Group's trade receivables are mainly receivables from sales of electricity. The bills receivables represented outstanding commercial acceptance bills. Generally, the receivables are due within 30 to 180 days (2017: 30 to 180 days) from the date of billing, except for renewable energy subsidy.

Renewable energy subsidies 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. As at 31 December 2018, the outstanding renewable energy subsidy amounted to approximately RMB2,179,498,000 (2017: RMB1,508,620,000).

(ii) All trade and other receivables are expected to be recovered or recognised as expense within one year, except for certain trade receivables and deposits amounting to Nil (2017: RMB714,000) and approximately RMB967,000 (2017: RMB922,000) respectively as at 31 December 2018, which are expected to be recovered after more than one year.

(iii) As at 31 December 2018, certain trade receivables arising from the sales of electricity amounting to approximately RMB1,713,102,000 (2017: RMB921,851,000) were pledged as securities for the Group's loans and borrowings (note 33).

28. STRUCTURED BANK DEPOSITS

The structured bank deposits as at 31 December 2018, denominated in RMB, were yield enhancement deposits and contained embedded derivative which represented the returns varying with the underlying investment portfolio of the structured bank deposit and comprised primarily of equity instruments, debt instruments including corporate bonds and money market instruments. These deposits were solely managed and invested by the bank and the Group had no right to choose and trade the components of the financial assets. The structured bank deposits carried an effective interest rate of 3.6% per annum and were withdrawn in January 2019 with the principal amount together with the investment return returned to the Group. The Group considered that the fair value of embedded derivative was minimal and hence no derivative financial instruments were recognised.

29. CASH AND CASH EQUIVALENTS

	2018 **RMB'000**	2017 RMB'000
Cash on hand	**69**	143
Cash at banks	**256,241**	445,495
	256,310	445,638

Included in cash and cash equivalents of the Group is approximately RMB245,790,000 (2017: RMB426,409,000) 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.

30. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As at 31 December 2018, the assets and liabilities related to Lisun Trading Limited ("Lisun Trading"), a subsidiary in which the Group held as to 100% of the shares in issue, were presented as held for sale following the sale and purchase agreement dated 24 December 2018 entered into between the Group and the purchaser. The principal activities of Lisun Trading were properties investment.

In accordance with HKFRS 5, assets and liabilities relating to Lisun Trading were classified as held for sale in the consolidated statement of financial position as at 31 December 2018. The disposal did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation.

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

The directors of the Company regard the sale proceeds less directly attributable costs which amounted to approximately HK$19,800,000 (equivalent to approximately RMB17,349,000) as the fair value less cost of disposal for the disposal of Lisun Trading.

	2018 RMB'000
Property, plant and equipment (note 17)	2,450
Other receivables	3,893
Cash and cash equivalents	335
Total assets classified as held for sale	6,678
Other payables	337
Loans and borrowings	5,283
Deferred tax liabilities (note 36)	1,244
Total liabilities classified as held for sale	6,864

31. TRADE AND OTHER PAYABLES

	2018 **RMB'000**	2017 RMB'000
Trade payables	**1,493,153**	3,345,134
Other payables and accruals	**410,394**	388,674
	1,903,547	3,733,808

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

	2018 **RMB'000**	2017 RMB'000
Current or less than 3 months	**207,465**	2,119,732
Over 3 months but less than 6 months	**7,611**	188,126
Over 6 months but less than 12 months	**93,951**	103,914
Over 12 months	**1,184,126**	933,362
	1,493,153	3,345,134

Retentions payable amounting to approximately RMB323,488,000 (2017: RMB375,813,000), which are included in trade and other payables, will be settled after more than one year. All other trade and other payables are expected to be settled within one year or are repayable on demand.

32. CONTRACT LIABILITIES

Typical payment terms which impact on the amount of contract liabilities are as follows:

	2018 **RMB'000**
Contract liabilities arising from:	
Trading of liquefied natural gas	**8,038**

Trading of liquefied natural gas

The deposits the Group receives on trading of liquefied natural gas remains as a contract liability until such time as the control of the liquefied natural gas has transferred, being when the products are delivered to the customers.

Movements in the contract liabilities

	2018 **RMB'000**
Balance as at 1 January 2018	**–**
Acquisition of a subsidiary (note 46)	**20,843**
Decrease as a result of recognising revenue during the year	**(144,825)**
Increase as a result of deposits received	**132,020**
Balance as at 31 December 2018	**8,038**

33. LOANS AND BORROWINGS

	2018 **RMB'000**	2017 RMB'000
Current		
Secured		
— bank loans	**60,500**	51,359
— other borrowings	**830,110**	544,112
	890,610	595,471
Non-current		
Secured		
— bank loans	**299,500**	360,000
— other borrowings	**10,427,125**	8,384,467
	10,726,625	8,744,467
Total loans and borrowings	**11,617,235**	9,339,938

33. LOANS AND BORROWINGS *(continued)*

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

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**890,610**	595,471
After 1 year but within 2 years	**1,544,749**	859,329
After 2 years but within 5 years	**6,425,017**	4,643,851
Over 5 years	**2,756,859**	3,241,287
	11,617,235	9,339,938

Loans and borrowings bear interest ranging from 3.8% to 12.25% (2017: 3.8% to 10.25%) per annum.

Analysis of the Group's fixed-rate and floating-rate borrowings are as follows:

	2018 **RMB'000**	2017 RMB'000
Fixed-rate borrowings	**4,918,000**	3,652,000
Floating-rate borrowings	**6,699,235**	5,687,938
	11,617,235	9,339,938

The loans and borrowings were secured by the following assets:

	2018 **RMB'000**	2017 RMB'000
Solar power plants (note 18)	**8,027,467**	7,455,097
Trade receivables (note 27)	**1,713,102**	921,851
Property, plant and equipment (note 17)	**–**	688
Lease prepayments (note 23)	**774**	821
Unlisted equity investments, at fair value (note 24)	**813,158**	830,269
	10,554,501	9,208,726

33. LOANS AND BORROWINGS *(continued)*

As at 31 December 2018, loans and borrowings that are secured by the equity interests of certain subsidiaries of the Company are summarised as follows:

(a) other borrowings of approximately RMB18,000,000 (2017: RMB22,000,000) were pledged by 100% equity interests of 揚州啟星新能源發展有限公司 (Yangzhou Qixing New Energy Developments Limited*);

(b) other borrowings of approximately RMB500,000,000 (2017: RMB500,000,000) were pledged by 86.21% equity interests of 敦煌萬發新能源有限公司 (Dunhuang Wanfa New Energy Limited Company*) ("Dunhuang Wanfa");

(c) other borrowings of approximately RMB1,200,000,000 (2017: RMB1,200,000,000) were pledged by 99.99% equity interests of 江山豐融投資有限公司 (Jiangshan Fengrong Investment Limited*) ("Jiangshan Fengrong");

(d) other borrowings of approximately RMB275,649,000 (2017: RMB275,649,000) were pledged by 99.96% equity interests of 六安旭强新能源工程有限公司 (Liuan Xuqiang New Energy Engineering Limited*) ("Liuan Xuqiang");

(e) other borrowings of approximately RMB300,000,000 (2017: RMB300,000,000) were pledged by 99.96% equity interests of 嘉峪關協合新能源有限公司 (Jiayuguan Xiehe New Energy Limited*) ("Jiayuguan Xiehe");

(f) other borrowings of approximately RMB180,000,000 (2017: RMB180,000,000) were pledged by 99.96% equity interests of 臨潭天朗新能源科技有限公司 (Lintan Tianlang New Energy Technology Limited*) ("Lintan Tianlang");

(g) other borrowings of approximately RMB244,351,000 (2017: RMB244,351,000) were pledged by 99.96% equity interests of 定邊縣晶陽電力有限公司 (Dingbian Jingyang Electric Limited*) ("Dingbian Jingyang");

(h) other borrowings of approximately RMB369,366,000 (2017: Nil) were pledged by 99.96% equity interests of 定邊縣智信達新能源有限公司 (Dingbian County Zhixinda New Energy Limited*) ("Dingbian County Zhixinda");

(i) other borrowings of approximately RMB130,634,000 (2017: Nil) were pledged by 99.96% equity interests of 化隆縣瑞啟達新能源有限公司 (Hualong County Ruiqida New Energy Limited*) ("Hualong County Ruiqida");

(j) other borrowings of approximately RMB1,500,000,000 (2017: RMB1,000,000,000) were pledged by 99.96% equity interests of 常熟宏略光伏電站開發有限公司 (Changshu Honglu Photovoltaic Power Plants Development Co., Ltd.*) ("Changshu Honglu");

(k) other borrowings of approximately RMB260,000,000 (2017: Nil) were pledged by 96.30% equity interests of 黃驊市正陽新能源有限公司 (Huanghua Zhengyang New Energy Limited*) ("Huanghua Zhengyang");

(l) other borrowings of approximately RMB280,000,000 (2017: Nil) were pledged by 98.25% equity interests of 阿圖什市華光能源有限公司 (Artux Huaguang Energy Limited*) ("Artux Huaguang"); and

(m) other borrowings of approximately RMB260,000,000 (2017: Nil) were pledged by 99.62% equity interests of 阿圖什市興光能源有限公司 (Artux Xingguang Energy Limited*) ("Artux Xingguang").

In addition, an independent third party had provided unlimited corporate guarantees to certain of the Group's other borrowings amounting to approximately RMB587,227,000 (2017: RMB669,876,000).

34. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2017, the total future minimum lease payments under finance leases and their present values are as follows:

	2017	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Due within one year	117	117
Due in the second year	103	117
	220	234
Less: future finance charge on finance leases		(14)
Present value of finance leases obligations		220

35. CORPORATE BONDS

	2018 RMB'000	2017 RMB'000
At beginning of the year	**386,478**	400,067
Initial recognition	**225,820**	–
Imputed interest expense (note 13)	**37,318**	37,710
Interest paid/payable	**(23,201)**	(23,762)
Repayment	**(371,071)**	–
Exchange realignment	**20,039**	(27,537)
At end of the year	**275,383**	386,478

As at 31 December 2018, corporate bonds denominated in Hong Kong dollar with an aggregate principal amount of HK$344,000,000 (equivalent to approximately RMB301,413,000) (2017: HK$477,000,000 (equivalent to approximately RMB402,656,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 9% (2017: 6%) per annum, and will mature on the date immediately following 3 to 96 months (2017: 36 months) after their issuance.

During the year ended 31 December 2018, the Group issued corporate bonds with an aggregate principal amount of HK$290,500,000 (equivalent to approximately RMB254,536,000) (2017: Nil) to certain independent third parties, the net proceeds of the issued corporate bonds received by the Company were approximately HK$257,727,000 (equivalent to approximately RMB225,820,000) (2017: Nil), with total issue cost amounting to approximately HK$32,773,000 (equivalent to approximately RMB28,716,000) (2017: Nil).

35. CORPORATE BONDS *(continued)*

During the year ended 31 December 2018, the Group repaid HK$423,500,000 (equivalent to approximately RMB371,071,000) (2017: Nil) in aggregate principal amount of the corporate bonds.

The corporate bonds are measured at amortised cost using effective interest method by applying an effective interest rate ranging from 10.24% to 12.00% (2017: 10.24%) per annum. Imputed interest of approximately HK$44,200,000 (equivalent to approximately RMB37,318,000) (2017: HK$43,523,000 (equivalent to approximately RMB37,710,000)) (note 13) in respect of the corporate bonds was recognised in profit or loss during the year ended 31 December 2018.

As at 31 December 2018, corporate bonds amounting to approximately HK$63,764,000 (equivalent to approximately RMB55,870,000) (2017: HK$411,165,000 (equivalent to approximately RMB343,697,000)) and approximately HK$250,528,000 (equivalent to approximately RMB219,513,000) (2017: HK$51,179,000 (equivalent to approximately to RMB42,781,000)) were classified as current liabilities and non-current liabilities, respectively.

36. DEFERRED TAX ASSETS/(LIABILITIES)

At 31 December 2018, the movement on the deferred tax assets/(liabilities) is as follows:

	Fair value change of investment properties RMB'000	**Impairment of assets** RMB'000
At 1 January 2017	(1,270)	–
Exchange difference	83	–
At 31 December 2017 and 1 January 2018	(1,187)	–
Charged to profit or loss (note 14)	–	2,360
Transfer to assets of a disposal group classified as held for sale (note 30)	1,244	–
Exchange realignment	(57)	–
At 31 December 2018	–	2,360

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 RMB873,892,000 (2017: RMB537,717,000). 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

	2018 **Number of shares** **'000**	**2018** **RMB'000**	2017 Number of shares '000	2017 RMB'000
Issued and fully paid				
At beginning and end of the year	**14,964,442**	**6,486,588**	14,964,442	6,486,588

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 91 of the consolidated financial statements.

The Company

	Exchange reserve RMB'000 (note (ii))	**Equity-settled share-based payment reserve** RMB'000 (note (iv))	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2017	588,890	113,980	(351,843)	351,027
Total comprehensive income for the year	(447,157)	–	(69,529)	(516,686)
Equity-settled share-based transactions (note 10)	–	47,395	–	47,395
Lapse of share options	–	(57,544)	57,544	–
At 31 December 2017 and 1 January 2018	141,733	103,831	(363,828)	(118,264)
Total comprehensive income for the year	303,454	–	(124,801)	178,653
Equity-settled share-based transactions (note 10)	–	33,850	–	33,850
Lapse of share options	–	(7,661)	7,661	–
At 31 December 2018	445,187	130,020	(480,968)	94,239

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) Fair value through other comprehensive income reserve/Available-for-sale financial assets reserve

The fair value through other comprehensive income reserve/available-for-sale financial assets reserve comprises the cumulative net changes in the fair value of other financial assets held by the Group as at year-end dates, net of deferred tax.

(iv) 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 2018 nor has any dividend been proposed since the end of the reporting period up to the date of this report (2017: Nil).

40. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	**2018** **RMB'000**	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**506**	824
Interests in subsidiaries		**1,092**	1,042
		1,598	1,866
Current assets			
Financial assets held for trading		**81,143**	71,606
Other receivables		**6,808,638**	6,689,807
Cash and cash equivalents		**9,940**	16,221
		6,899,721	6,777,634
Current liabilities			
Other payables		**45,109**	24,698
Corporate bonds	35	**55,870**	343,697
		100,979	368,395
Net current assets		**6,798,742**	6,409,239
Total assets less current liabilities		**6,800,340**	6,411,105
Non-current liabilities			
Corporate bonds	35	**219,513**	42,781
NET ASSETS		**6,580,827**	6,368,324
CAPITAL AND RESERVES			
Share capital	37	**6,486,588**	6,486,588
Reserves	38	**94,239**	(118,264)
TOTAL EQUITY		**6,580,827**	6,368,324

On behalf of the directors

Zeng Jianhua	**Jin Yanbing**
Chairman and Executive Director	*Executive Director*

41. COMMITMENTS

(a) Capital commitments

At 31 December 2018, the Group had outstanding capital commitments as follows:

	2018 **RMB'000**	2017 RMB'000
Contracted but not provided for in respect of — the construction costs and service expense for solar power plants under construction	**472,561**	865,654

(b) Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**25,943**	25,814
After 1 year but within 5 years	**53,694**	52,893
Over 5 years	**165,719**	175,828
	245,356	254,535

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 27 years (2017: 1 to 28 years), at the end of which time all terms are renegotiated. None of the leases includes contingent rentals.

42. 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 RMB1,300) (2017: HK$1,500 (equivalent to approximately RMB1,300)) 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 2018, the total retirement benefit cost charged to the consolidated statement of profit or loss amounted to approximately RMB37,659,000 (2017: RMB22,029,000) (note 10).

43. 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"), HK$1.20 for options granted on 18 June 2015 ("Batch 3"), HK$0.30 for options granted on 3 April 2017 ("Batch 4") and HK$0.41 for options granted on 28 April 2017 ("Batch 5") 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), 18 June 2020 (Batch 3), 3 April 2022 (Batch 4) and 28 April 2022 (Batch 5) 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 1,208,050,000 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.

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Batch 1 options granted to directors:			
— on 8 October 2014	17,250,000	1 year from the date grant	5 years
— on 8 October 2014	17,250,000	2 years from the date grant	5 years
— on 8 October 2014	17,250,000	3 years from the date grant	5 years
— on 8 October 2014	17,250,000	4 years from the date grant	5 years
Batch 2 options granted to directors:			
— on 11 November 2014	750,000	1 year from the date grant	5 years
— on 11 November 2014	750,000	2 years from the date grant	5 years
— on 11 November 2014	750,000	3 years from the date grant	5 years
— on 11 November 2014	750,000	4 years from the date grant	5 years
Batch 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
Batch 4 options granted to directors:			
— on 3 April 2017	25,000,000	1 year from the date grant	5 years

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

The terms and conditions of the grants are as follows: *(continued)*

	Number of instruments	Vesting conditions	Contractual life of options
— on 3 April 2017	25,000,000	2 years from the date grant	5 years
— on 3 April 2017	25,000,000	3 years from the date grant	5 years
— on 3 April 2017	25,000,000	4 years from the date grant	5 years
Batch 5 options granted to directors:			
— on 28 April 2017	6,920,000	1 year from the date grant	5 years
— on 28 April 2017	6,920,000	2 years from the date grant	5 years
— on 28 April 2017	6,920,000	3 years from the date grant	5 years
— on 28 April 2017	6,920,000	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 4 options granted to employees and consultants:			
— on 3 April 2017	64,750,000	1 year from the date grant	5 years
— on 3 April 2017	64,750,000	2 years from the date grant	5 years
— on 3 April 2017	64,750,000	3 years from the date grant	5 years
— on 3 April 2017	64,750,000	4 years from the date grant	5 years
Batch 5 options granted to employees and consultants:			
— on 28 April 2017	85,917,500	1 year from the date grant	5 years
— on 28 April 2017	85,917,500	2 years from the date grant	5 years
— on 28 April 2017	85,917,500	3 years from the date grant	5 years
— on 28 April 2017	85,917,500	4 years from the date grant	5 years
Total share options granted	1,208,050,000		

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

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

	2018		2017	
	Weighted exercise price HK$	**Number of options**	Weighted exercise price HK$	Number of options
Outstanding at beginning of the year	**0.55**	**942,650,000**	1.10	472,700,000
Granted during the year	**–**	**–**	0.36	730,350,000
Lapsed during the year	**0.41**	**(74,820,000)**	0.99	(260,400,000)
Outstanding at the end of the year	**0.56**	**867,830,000**	0.55	942,650,000
Exercisable at end of the year	**0.81**	**403,820,000**	1.10	189,600,000

The options outstanding at 31 December 2018 had an exercise price of HK$1.10, HK$0.30 or HK$0.41 (2017: HK$1.10, HK$0.30 or HK$0.41) and a weighted average remaining contractual life of 2.57 years (2017: 3.61 years).

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 2014, 2015 and 2017 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:

	2017		2015	2014	
	Share options Batch 4	**Share options Batch 5**	Share options Batch 3	Share options Batch 1	Share options Batch 2
Fair value at measurement date	**HK$0.1259**	**HK$0.1703**	HK$0.4295	HK$0.3812	HK$0.4905
Share price at date of grant	**HK$0.30**	**HK$0.41**	HK$1.20	HK$1.08	HK$1.15
Exercise price	**HK$0.30**	**HK$0.41**	HK$1.20	HK$1.10	HK$1.16
Expected volatility (expressed as weighted average life used in the modelling under binomial lattice model)	**57.92%**	**47.96%**	51.02%	51.80%	51.05%
Option life (expressed as weighted average life used in the modelling under binomial tree model)	**5 years**	**5 years**	5 years	5 years	5 years
Risk-free interest rate (based on Hong Kong Exchange Fund Bills and Notes)	**1.96%**	**1.78%**	1.14%	1.34%	1.13%
Expected dividend yield	**0.00%**	**0.00%**	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.

44. 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*)	PRC	RMB30,000,000	–	100%	Solar power generation
甘肅宏遠光電有限責任公司 (Gansu Hongyuan Photovoltaic Limited*)	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*)	PRC	RMB40,000,000	–	100%	Solar power generation
敦煌萬發新能源有限公司 Dunhuang Wanfa	PRC	RMB580,000,000	–	100% (note 1)	Solar power generation
江山豐融投資有限公司 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*)	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*)	PRC	RMB45,640,000	–	100%	Solar power generation
烏什縣華陽偉業太陽能科技有限公司 (Wushi Huayangweiye Solar Technology Limited*)	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*)	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*)	PRC	RMB20,000,000	–	100%	Solar power generation

44. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
蘭州太科光伏電力有限公司 (Lanzhou Taike Photovoltaic Power Limited*)	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*)	PRC	RMB1,000,000	–	100%	Solar power generation
阿圖什市華光能源有限公司 Artux Huaguang	PRC	RMB50,000,000	–	100% (notes 3 and 4)	Solar power generation
阿圖什市興光能源有限公司 Artux Xingguang	PRC	RMB50,000,000	–	100% (notes 3 and 4)	Solar power generation
強茂能源鄂爾多斯市有限責任公司 (Qiangmao Energy Eerduosi Limited*)	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*)	PRC	RMB36,000,000	–	100%	Solar power generation
湖州祥暉光伏發電有限公司 (Huzhou Xianghui Photovoltaic Power Generation Limited*)	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*) ("Keping Tianhua")	PRC	RMB40,000,000	–	100%	Solar power generation
合肥綠聚源光伏發電有限公司 (Hefei Lujuyuan Photovoltaic Power Generation Limited*) ("Hefei Lujuyuan")	PRC	RMB77,000,000	–	100%	Solar power generation
黃驊市正陽新能源有限公司 Huanghua Zhengyang	PRC	RMB10,000,000	–	100% (notes 3 and 5)	Solar power generation
江山新能源投資(揚州)有限公司 (Kong Sun New Energy Investment (Yangzhou) Limited*)	PRC	RMB5,952,589,659/ HK$8,000,000,000	–	100%	Investment holding
江天新能源貿易(揚州)有限公司 (Jiangtian New Energy related products Trading (Yangzhou) Limited*)	PRC	RMB818,862,108/ HK$2,000,000,000	–	100%	Trading of solar energy related products

44. 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 (Kong Sun Yongtai Investment Holdings Limited*)	PRC	RMB5,305,187,000/ RMB6,000,000,000	–	100%	Investment holding
定邊縣昂立光伏科技有限公司 (Dingbian Ang'Li Photovoltaic Technology Limited*)	PRC	RMB1,000,000	–	100%	Solar power generation
霍林郭勒競日能源有限公司 (Huolin Guole Jingri Energy Limited*) ("Huolin Guole")	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 Limited*)	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 Limited*)	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 Limited*)	PRC	RMB60,000,000	–	100%	Solar power generation
肥西中暉光伏發電有限公司 (Feixi Zhonghui Photovoltaic Power Limited*)	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 Honglue	PRC	RMB1,001,000,000	–	100% (note 6)	Solar power generation
定邊縣晶陽電力有限公司 Dingbian Jingyang	PRC	RMB245,351,000/ RMB246,000,000	–	100% (note 6)	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 Limited*)	PRC	RMB995,000/ RMB56,000,000	–	100%	Solar power generation
六安旭强新能源工程有限公司 Liuan Xuqiang	PRC	RMB270,000,000	–	100% (note 6)	Solar power generation
黃石黃源光伏電力開發有限公司 (Wangshi Wangyuan Photovoltaic Power Development Limited*)	PRC	RMB50,000,000/ RMB113,700,000	–	100%	Solar power generation

44. 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	
宿州旭強新能源工程有限公司 (Xiuzhou Xuqiang New Energy Engineering Limited*)	PRC	RMB60,000,000	–	100%	Solar power generation
喀什國新電力有限公司 (Kashi Guoxin New Power Limited*)	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 Limited*)	PRC	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 Limited*)	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 Limited*)	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 Limited*)	PRC	RMB150,000,000	–	100%	Solar power generation
大同市皖銅新能源有限公司 (Datong Wantong New Energy Limited*) ("Datong Wantong")	PRC	RMB2,830,000/ RMB36,000,000	–	100%	Solar power generation
平山縣天匯能源科技有限公司 (Pingshan Tianhui Energy Technology Limited*) ("Pingshan Tianhui")	PRC	RMB43,000,000	–	100%	Solar power generation
溧陽新暉光伏發電有限公司 (Liyang Xinhui Photovoltaic Power Generation Limited*) ("Liyang Xinhui")	PRC	RMB20,000,000	–	100%	Solar power generation
榆林正信電力有限公司 (Yulin Zhengxin Electricity Limited*) ("Yulin Zhengxin")	PRC	RMB60,000,000/ RMB99,000,000	–	100%	Solar power generation
金塔縣永嘉新能源有限公司 (Jinta Yongjia New Energy Limited*) ("Jinta Yongjia")	PRC	RMB48,600,000	–	100%	Solar power generation

44. 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	
定邊縣智信達新能源有限公司 Dingbian County Zhixinda	PRC	RMB35,000/ RMB350,000,000	–	100% (note 6)	Solar power generation
榆林市江山永宸新能源有限公司 (Yulin City Jiangshan Yongchen New Energy Limited)	PRC	RMB1,200,000,000	–	100%	Solar power generation
廣州寶乾小額貸款有限公司 (Guangzhou Baoqian Microfinance Limited)	PRC	RMB100,000,000	–	65%	Financial services
寶豐縣鑫泰光伏電力科技開發有限公司 (Baofeng Xintai Photovoltaic Power Technology Development Limited*) ("Baofeng Xintai")	PRC	RMB Nil/ RMB150,000,000	–	100%	Solar power generation
德州市陵城區乾超兄弟能源科技有限公司 (Dezhou Shi Lingcheng District Ganchao Xiongdi Energy Technology Limited*)	PRC	RMB34,000,000	–	100%	Solar power generation
臨潭天朗新能源科技有限公司 Lintan Tianlang	PRC	RMB180,000,000	–	100% (note 6)	Solar power generation
嘉峪關協合新能源有限公司 Jiayuguan Xiehe	PRC	RMB302,000,000	–	100% (note 6)	Solar power generation
化隆縣瑞啟達新能源有限公司 Hualong County Ruiqida	PRC	RMB131,000,000	–	100%	Solar power generation
江蘇海闊能源有限公司 Jiangsu Haikuo Energy Company Limited* ("Jiangsu Haikuo")	PRC	RMB10,000,000	—	70%	Trading of LNG
北京潤豐元大小額貸款有限公司 (Beijing Runfeng Yuanda Microfinancing Company Limited*) ("Runfeng Yuanda")	PRC	RMB100,000,000	—	55%	Microfinancial businesses
嵊州懿暉光伏發電有限公司 (Shengzhou Yihui Photovoltaic Power Generation Limited*)	PRC	RMB40,000,000	—	100%	Solar power generation

44. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

1. According to cooperation agreements ("Cooperation Agreements 1") entered into between the Group and Jiaxing Shengshi Limited Partnership, Jiaxing Shengshi Limited Partnership contributed a capital of RMB500,000,000 to Dunhuang Wanfa and holds 86.207% equity interest of Dunhuang Wanfa upon completion of the capital contribution. Pursuant to the Cooperation Agreements 1, the Group will repay Jiaxing Shengshi Limited Partnership and Jiaxing Shengshi Limited Partnership will transfer back the 86.207% equity interest of Dunhuang Wanfa to the Group, at a pre-agreed price in 2017 to 2021. In view of the Group's power to control the financial and operating policies 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. As at 31 December 2017, Dunhuang Wanfa owns a solar power plant of 60 MW in Dunhuang, Gansu Province of the PRC.

2. According to the cooperation agreements ("Cooperation Agreements 2") entered into between the Group and Jiaxing Shengshi Limited Partnership, Jiaxing Shengshi Limited Partnership contributed a capital of RMB1,200,000,000 to Jiangshan Fengrong and holds 99.99% equity interest of Jiangshan Fengrong upon completion of the capital contribution. Pursuant to the Cooperation Agreements 2, the Group will repay Jiaxing Shengshi Limited Partnership and Jiaxing Shengshi Limited Partnership will transfer back the 99.99% equity interest of Jiangshan Fengrong to the Group at a pre-agreed price in 2017 to 2021. In view of the Group's power to control the financial and operating policies 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. As at 31 December 2017, Jiangshan Fengrong holds a solar power plants project company, namely Jiangshan Yongchen which owns a solar power plant of 300 MW in Yulin City, Shaanxi Province of the PRC.

3. According to the investment and repurchase agreements ("Investment and Repurchase Agreements") entered into between the Group and Suzhou Junsheng Limited Partnership, Suzhou Junsheng Limited Partnership contributed a capital of RMB280,000,000, RMB260,000,000 and RMB260,000,000 to Artux Huaguang, Artux Xingguang and Huanghua Zhengyang and holds approximately 98.25%, 99.62% and 96.30% equity interests of Artux Huaguang, Artux Xingguang and Huanghua Zhengyang, respectively, upon completion of the capital contribution. Pursuant to the Investment and Repurchase Agreements, Suzhou Junsheng Limited Partnership shall transfer to the Group approximately 98.25%, 99.62% and 96.30% equity interests of Artux Huaguang, Artux Xingguang and Huanghua Zhengyang, respectively, held by Suzhou Junsheng Limited Partnership, after payment by the Group to the Suzhou Junsheng Limited Partnership of all of the consideration for the transfer. The consideration shall be composed of (i) cost of equity in the amount of RMB800,000,000 to be paid at the end of the term of Suzhou Junsheng Limited Partnership (i.e. 5 years) and (ii) premium on equity to be paid in quarterly instalments throughout the term of Suzhou Junsheng Limited Partnership (i.e. 5 years). In view of the Group's power to control the financial and operating policies of Artux Huaguang, Artux Xingguang and Huanghua Zhengyang so as to direct their relevant activities and to obtain significant economic benefits from its activities, the directors of the Company are of the opinion that the arrangement under the Investment and Repurchase Agreements is in substance a financing arrangement with the pledge of the equity interests of Artux Huaguang, Artux Xingguang and Huanghua Zhengyang and therefore Artux Huaguang, Artux Xingguang and Huanghua Zhengyang are treated as a wholly-owned subsidiaries of the Company.

4. As at 31 December 2017, 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 21 July 2014 and 20 March 2014 respectively. 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.

44. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: *(continued)*

5. As at 31 December 2018, 0.33% (2017: 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, 0.33% (2017: 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.

6. According to the cooperation agreements ("Cooperation Agreements #3") entered into between the Group and Taizhou Jiuan Limited Partnership, Taizhou Jiuan Limited Partnership contributed a capital of RMB2,501,000,000 to Changshu Honglue and holds 99.96% of Changshu Honglue upon completion of the capital contribution. Pursuant to the Cooperation Agreements #3, the Group will repay Taizhou Jiuan Limited Partnership and Taizhou Jiuan Limited Partnership will transfer back the 99.96% equity interest of Changshu Honglue to the Group at a pre agreed price in 2018 to 2022. In view of the Group's power to control the financial and operating policies of Changshu Honglue so as to direct the relevant activities of Changshu Honglue 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 #3 is in substance a financing arrangement with the pledge of the equity interests of Changshu Honglue and therefore Changshu Honglue is treated as a wholly-owned subsidiary of the Company. As as 31 December 2018, Changshu Honglue holds six solar power plants project companies, namely Lintan Tianlang, Liuan Xuqiang, Jiayuguan Xiehe, Dingbian Jingyang, Dingbian County Zhixinda and Hualong County Ruiqida, which respectively own solar power plants of 20 MW in Lintan County, Gansu Province, 40 MW in Liuan County, Anhui Province, 50 MW in Jiayuguan City, Gansu Province, 30 MW in Dingbian County, Shaanxi Province, 50 MW in Dingbian County, Shaanxi Province and 20 MW in Hualong County, Qinghai Province, of the PRC.

45. NON-CONTROLLING INTERESTS

	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**38,720**	37,603
Acquisition of additional interest in a subsidiary	**(8,485)**	–
Acquisition of subsidiaries (note 46(a))	**51,473**	84
Profit for the year attributable to non-controlling interests	**862**	1,033
At end of the year	**82,570**	38,720

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

46. ACQUISITION OF SUBSIDIARIES

(a) Business combinations

During the year ended 31 December 2018, the Group entered into various equity transfer agreements with independent third parties to acquire equity interests in certain PRC-incorporated entities at a total cash consideration of approximately RMB37,000,000. The newly-acquired entities are set out as follows:

Name of entities	Equity interests acquired	2018 Acquisition dates
江蘇海闊能源有限公司 Jiangsu Haikuo Energy Company Limited* ("Jiangsu Haikuo")	70%	1 November 2018
Runfeng Yuanda	55%	1 November 2018

Jiangsu Haikuo and Runfeng Yuanda are principally engaged in trading of LNG and microfinancial businesses in the PRC respectively.

The combined identifiable assets acquired and liabilities assumed at the 2018 Acquisitions Dates are as follows:

	Carrying amount RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Property, plant and equipment	150	–	150
Inventories	3,770	–	3,770
Trade and other receivables	110,943	–	110,943
Cash and cash equivalents	29,896	–	29,896
Trade and other payables	(6,579)	–	(6,579)
Contract liabilities (note 32)	(20,843)	–	(20,843)
Total identifiable net assets at fair value	117,337		117,337
Goodwill (note 22)			746
Gain on bargain purchase on acquisitions of subsidiaries (note i)			(2,504)
Less: Non-controlling interests			(51,473)
Transfer from financial assets at fair value through other comprehensive income (note 24)			(27,106)
Total cash consideration			37,000

46. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Business combinations *(continued)*

An analysis of net inflow of cash and cash equivalents in respect of business combination are as follow:

Net cash inflows arising from business combinations:	RMB'000
Net cash inflow arising on:	
Purchase consideration settled in cash	(37,000)
Deposits paid for acquisition in the previous year	30,000
Cash and cash equivalents acquired	29,896
	22,896

Notes:

(i) Gain on bargain purchase on acquisitions of subsidiaries represents the excess of the fair value of the identifiable assets acquired and liabilities assumed for the acquisitions over fair value of consideration transferred at acquisitions. The gain on bargain purchase during the year ended 31 December 2018 comprised approximately RMB2,504,000 as a result of acquisitions of Runfeng Yuanda. As the consideration for the acquisitions of Runfeng Yuanda was determined with reference to the capital injected by the vendors, the directors are of the opinion that the consideration of the acquisitions was determined on an arm's length basis.

(ii) Jiangsu Haikuo and Runfeng Yuanda have contributed revenue of approximately RMB132,970,000 and net profit of approximately RMB1,058,000 to the Group since the Completion Date of Acquisitions to 31 December 2018. Had these acquisitions occurred on 1 January 2018, the management estimates that the Group's consolidated revenue and consolidated profit for the year would have been RMB2,012,109,000 and RMB19,624,000 respectively.

During the year ended 31 December 2017, the Group entered into various equity transfer agreements with independent third parties to acquire equity interests in certain PRC-incorporated entities at a total cash consideration of approximately RMB103,252,000. These entities are set out as follows:

Name of entities	**Equity interests acquired**	**2017 acquisition dates**
Datong Wantong	98.611%	30 March 2017
Pingshan Tianhui	100%	30 March 2017
Liyang Xinhui	100%	30 March 2017
Jinan Tianguan	100%	30 March 2017
Yulin Zhengxin	100%	15 June 2017
Dingbian County Zhixinda	100%	14 November 2017
Jinta Yongjia	100%	14 November 2017
Baofeng Xintai	100%	13 December 2017

These entities are principally engaged in the operation of solar power plants and electricity generation. As at the respective 2017 acquisition dates, all the above entities are generating electricity to provincial power grids.

46. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Business combinations *(continued)*

The combined identifiable assets acquired and liabilities assumed as at the respective 2017 acquisition dates are as follows:

	Carrying amount RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Solar power plants (note 18)	1,878,844	–	1,878,844
Lease prepayments (note 23)	49,450	–	49,450
Trade, bills and other receivables	270,656	–	270,656
Cash and cash equivalents	41,828	–	41,828
Trade and other payables	(1,733,877)	–	(1,733,877)
Loans and borrowings	(352,099)	–	(352,099)
Total identifiable net assets at fair value	154,802	–	154,802
Goodwill (note 22) (note (i))			1,794
Gain on bargain purchase on acquisition of subsidiaries (note (ii))			(53,260)
Non-controlling interests (note 45)			(84)
Total cash consideration			103,252

An analysis of net outflow of cash and cash equivalents in respect of business combination are as follow:

	RMB'000
Net cash outflows arising from business combinations:	
Net cash outflow arising on:	
Purchase consideration settled in cash	103,252
Cash and cash equivalents acquired	(41,828)
	61,424

Notes:

(i) Goodwill arose from the acquisition of Jinan Tianguan, which represents the synergy expected to be achieved from integrating the acquiree into the existing business of the Group.

(ii) Gain on bargain purchase on acquisition of subsidiaries represents the excess of fair value of consideration transferred at acquisition over the fair value of the identifiable assets acquired and liabilities assumed for the acquisition. The gain on bargain purchase during the year ended 31 December 2017 comprised approximately RMB1,520,000, RMB20,360,000, RMB16,571,000, RMB11,911,000 and RMB2,898,000 as a result of acquisition of Datong Wantong, Yulin Zhengxin, Dingbian County Zhixinda, Jinta Yongjia and Baofeng Xintai, respectively. As the consideration for the acquisition of Datong Wantong, Yulin Zhengxin, Dingbian County Zhixinda, Jinta Yongjia and Baofeng Xintai were determined with reference to the capital injected by the vendors, the Directors are of the opinion that the consideration of the acquisition was determined on an arm's length basis.

(iii) Datong Wantong, Pingshan Tianhui, Liyang Xinhui, Jinan Tianguan, Yulin Zhengxin, Jinta Yongjia, Dingbian County Zhixinda and Baofeng Xintai have contributed revenue (including the tariff adjustment) of approximately RMB74,979,000 and net profit of approximately RMB24,885,000 to the Group since the Completion Date of Acquisitions to 31 December 2017. Had these acquisitions occurred on 1 January 2017, the management estimates that the Group's consolidated revenue and consolidated profit for the year would have been RMB1,364,001,000 and RMB160,836,000 respectively.

46. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) Acquisition of assets

During the year ended 31 December 2017, the Group acquired the equity interests in the entities set out below from independent third parties at a total cash consideration of approximately RMB1,000. These entities are principally engaged in the operation of solar power plants and electricity generation. As at the respective dates of acquisition, these entities were still at construction stage. Given the underlying set of assets acquired were not integrated in forming businesses to generate revenues, the Directors are of the opinion that the acquisition of these entities were acquisition of assets which did not constitute business combinations for accounting purposes.

Name of entities	**Equity interests acquired**
Lintan Tianlang	100%
Jiayuguan Xiehe	95%

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

	RMB'000
Solar power plants under construction (note 18)	192,246
Trade, bills and other receivables	23,172
Cash and cash equivalents	574
Trade and other payables	(215,991)
Total identifiable net assets at fair value	1
Total cash consideration	1

An analysis of net inflow of cash and cash equivalents in respect of acquisition of assets are as follows:

	RMB'000
Net cash inflow arising from acquisition of assets:	
Purchase consideration settled in cash	1
Less: cash and cash equivalents acquired	(574)
	(573)

47. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) During the year ended 31 December 2018, the Group disposed of the entire equity interests in certain PRC- and Hong Kong-incorporated entities at a total cash consideration of approximately RMB72,216,000. In addition, a wholly-owned subsidiary incorporated in the PRC was deregistered during the year. These entities are set out below:

Name of entities	Disposal/ deregistration dates
橫山縣江山新能源有限責任公司 (Hengshan Kongsun New Energy Limited*) (note (i))	24 January 2018
Lisun Trading (Hong Kong) Limited ("Lisun Hong Kong") (note (ii))	4 April 2018
Single Star Development Limited ("Single Star") (note (iii))	24 April 2018
延川永峻新能源有限公司 (Yanchuan Yongjun New Energy Limited*) (note (i))	25 May 2018
貴溪市中元太陽能電力有限公司 (Guixi City Zhongyuan Solar Power Limited*) (note (i))	28 December 2018

Notes:

(i) These entities are principally engaged in the operation of solar power plants and electricity generation.

(ii) The principal activity of Lisun Hong Kong is sales of life-like plants.

(iii) The principal activity of Single Star is properties investment.

The combined net assets of these subsidiaries as at the disposal/deregistration dates are as follows:

	RMB'000
Net assets disposed of:	
Solar power plants (note 18)	350,193
Property, plant and equipment (note 17)	153
Investment properties (note 21)	927
Lease prepayment (note 23)	997
Trade, bills and other receivables	123,403
Cash and cash equivalents	376
Other payables and accruals	(162,183)
Loans and borrowings	(244,324)
	69,542
Release of exchange reserve upon disposal (note 15)	(19)
Net gain on disposal/deregistration of subsidiaries	2,693
Total cash consideration	72,216

47. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES *(continued)*

(a) *(continued)*

An analysis of net inflow of cash and cash equivalents in respect of disposal and deregistration of these subsidiaries are as follows:

	RMB'000
Net cash inflow arising from disposal/deregistration of subsidiaries:	
Cash consideration received	72,216
Cash and cash equivalents disposed of	(376)
	71,840

(b) During the year ended 31 December 2017, the Group disposed of its entire equity interests in certain PRC- and British Virgin Islands-incorporated entities at a total cash consideration of approximately RMB80,909,000. In addition, four wholly-owned subsidiaries incorporated in the PRC were deregistered during the year. These entities are set out as follows:

Name of entities	**Disposal/ deregistration dates**
Lead Power (note (i))	19 January 2017
海東市樂都區瑞啟達光伏發電有限公司 (Haidong Ledu Ruiqida Solar Power Generation Limited*) (note (ii))	24 January 2017
恩菲新能源(朔州)有限公司 (Enfei New Energy (Shuozhou) Limited*) (note (ii))	3 March 2017
北京江山頤年養老服務有限公司 (Beijing Jiangshan Yinian Pension Services Limited*) ("Jiangshan Yinian") (note (iii))	28 June 2017
昌都市永辰新能源科技有限公司 (Changdu Yongchen New Energy Technology Limited*) (note (ii))	11 July 2017
金塔縣寶瑞新能源科技有限公司 (Jinta Baorui New Energy Technology Limited*) (note (ii))	1 September 2017
Eternal Gain Investment Limited ("Eternal Gain") (note (iv))	29 September 2017
黃金貸互聯網金融服務(深圳)有限公司 (Huangjin Dai Internet Financial Services (Shenzhen) Limited*) ("Huangjin Dai") (note (v))	12 October 2017
安丘永霄新能源科技有限公司 (Anqiu Yongxiao New Energy Technology Limited*) (note (ii))	19 October 2017

47. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES *(continued)*

(b) *(continued)*

Notes:

(i) The principal activity of Lead Power is properties investment.

(ii) These entities are principally engaged in the operation of solar power plants and electricity generation.

(iii) The principal activity of Jiangshan Yinian is provision of pension service.

(iv) The principle activity of Eternal Gain is investment holding.

(v) The principle activity of Huangjin Dai is provision of financial services.

The combined net assets of these entities as at the disposal/deregistration dates are as follows:

	RMB'000
Net assets disposed of:	
Solar power plants (note 18)	35,844
Property, plant and equipment (note 17)	454
Trade, bills and other receivables	1,741
Cash and cash equivalents	616
Other payables and accruals	(17,186)
Assets of a disposal group classified as held for sale	47,825
Liabilities of a disposal group classified as held for sale	(185)
	69,109
Release of exchange reserve upon disposal (note 15)	(231)
Net gain on disposal/deregistration of subsidiaries	12,031
Total consideration satisfied by cash	80,909

47. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES *(continued)*

(b) *(continued)*

An analysis of net inflow of cash and cash equivalents in respect of disposal and deregistration of these subsidiaries are as follows:

	RMB'000
Net cash inflows arising from disposal and deregistration of subsidiaries:	
Cash consideration received	80,909
Cash and cash equivalents disposed of (including cash and cash equivalents in disposal group classified as held for sale)	(3,996)
	76,913

48. CONTINGENT LIABILITIES

The Group acquired equity interests of certain subsidiaries principally engaged in the development of solar power plants projects and the applications for the development of these solar power plant projects were actually carried out by their former shareholders. According to the 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.

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Loans and other borrowings (note 33) RMB'000	**Finance leases** (note 34) RMB'000	**Corporate bonds** (note 35) RMB'000	**Total** RMB'000
At 1 January 2017	5,860,956	353	400,067	6,261,376
Changes from cash flows:				
Proceeds from new loans and borrowings	4,393,402	–	–	4,393,402
Repayment of loans and borrowings	(1,265,933)	–	–	(1,265,933)
Repayment of obligations under finance leases	–	(114)	–	(114)
Interest paid	–	–	(23,762)	(23,762)
Total changes from financing cash flows	3,127,469	(114)	(23,762)	3,103,593
Exchange adjustments	(586)	(19)	(27,537)	(28,142)
Non-cash changes:				
Acquisitions of subsidiaries (note 46)	352,099	–	–	352,099
Imputed interest expenses	–	–	37,710	37,710
Total non-cash changes	352,099	–	37,710	389,809
At 31 December 2017 and 1 January 2018	9,339,938	220	386,478	9,726,636
Changes from cash flows:				
Proceeds from new loans and borrowings	3,319,000	–	–	3,319,000
Proceeds from issue of corporate bonds	–	–	225,820	225,820
Repayment of loans and borrowings	(792,180)	–	–	(792,180)
Repayment of obligations under finance leases	–	(220)	–	(220)
Repayment of corporate bonds	–	–	(371,071)	(371,071)
Interest paid	–	(5)	(23,201)	(23,206)
Total changes from financing cash flows	2,526,820	(225)	(168,452)	2,358,143
Exchange adjustments	84	5	20,039	20,128
Non-cash changes:				
Disposal/deregistation of subsidiaries (note 47)	(244,324)	–	–	(244,324)
Transferred to liabilities of a disposal group classified as held for sales (note 30)	(5,283)	–	–	(5,283)
Imputed interest expenses	–	–	37,318	37,318
Total non-cash changes	(249,607)	–	37,318	(212,289)
At 31 December 2018	11,617,235	–	275,383	11,892,618

50. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel, including the directors of the Company and the five highest paid individuals are disclosed in notes 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*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The credit policy has been followed by the Group since prior years.

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLS, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 December 2018:

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(continued)

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

(a) *Credit risk (continued)*

Loan receivables arising from provision of financial services

	Expected loss rate (%)	**Gross carrying amount** RMB'000	**Loss allowance** RMB'000
Current (not past due)	2%	133,032	2,661
Less than 3 months past due	3%	24,412	732
		157,444	3,393

Trade receivables arising from the trading of solar energy related products

	Expected loss rate (%)	**Gross carrying amount** RMB'000	**Loss allowance** RMB'000
More than 2 years past due	50%	14,719	7,359

Expected loss rates are based on management's judgement with reference to industrial rate. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4.11 — accounting policy applied prior to 1 January 2018). As at 31 December 2017, none of the trade and bills receivables were determined to be impaired. The ageing analysis of trade and bills receivables, based on due dates, that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	190,703
Less than 3 months past due	338,836
Over 3 months but less than 6 months past due	418,161
Over 6 months but less than 12 months past due	409,699
Over 12 months but less than 24 months past due	546,593
Over 24 months past due	45,123
	1,949,115

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

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

(a) *Credit risk (continued)*

Comparative information under HKAS 39 *(continued)*

Receivables that were neither past due nor impaired related to renewable energy subsidy 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. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Impairment losses in respect of trade and bills receivables were recorded using an allowance account unless the Group was satisfied that recovery of the amount is remote, in which case the impairment loss was written off against trade and bills receivables directly or the trade and bills receivables were written-off against the allowance account if impairment losses on that trade and bills receivables had been recorded in the allowance account previously.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2018 **RMB'000**
Balance at 31 December under HKAS 39	**–**
Impact of initial application of HKFRS 9 (note 2.1A(ii))	**19,115**
Adjusted balance at 1 January	**19,115**
Impairment provision for the year	**1,997**
Recovery of impairment loss previously recognised	**(2,960)**
Balance at 31 December	**18,152**

The Group's exposure to credit risk arising from deposits with banks is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(b) *Interest rate risk*

The Group's interest rate risk arises primarily from loans and borrowings issued at floating 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 floating rate borrowings in order to manage its interest rate risks. During the years ended 31 December 2018 and 2017, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

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

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

(b) *Interest rate risk (continued)*

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets (excluding cash held for short term working capital purpose)) at the end of reporting period. The detailed interest rates and maturity information of the Group's loans and borrowings and corporate bonds are set out in notes 33 and 35, respectively.

FINANCIAL INSTRUMENTS WITH VARIABLE INTEREST RATE IN NATURE

	2018		2017	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Net fixed rate borrowings:				
Loans and borrowings	**7.30%–12.25%**	**4,918,000**	7.30%–10.25%	3,652,000
Corporate bonds	**10.24%–12.00%**	**275,383**	10.24%	386,478
		5,193,383		4,038,478
Floating rate borrowings:				
Loans and borrowings	**3.80%–10.00%**	**6,699,235**	3.80%–10.00%	5,687,938
Total net borrowings		**11,892,618**		9,726,416
Net fixed rate borrowings as a percentage of total net borrowings		**43.67%**		41.52%

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 2018, if the interest rate of loans and borrowings had been 50 (2017: 50) basis points higher/lower, the Group's profit before income tax would decrease/increase by approximately RMB33,496,000 (2017: RMB28,440,000).

(c) *Currency risk*

Almost all the Group's operating activities are carried out in the PRC for the years ended 31 December 2018 and 2017 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.

52. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(continued)

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

(c) *Currency risk (continued)*

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

	Assets		**Liabilities**	
	2018 **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000
RMB	**68**	68	**–**	–
HK$	**1**	–	**–**	–
US$	**–**	202	**–**	–

FOREIGN EXCHANGE SENSITIVITY ANALYSIS

A 5% (2017: 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% (2017: 5%) change in foreign currency rates. For a 5% (2017: 5%) strengthening of HK$ against RMB, there is no change in profit for the years ended 31 December 2018 and 2017. For a 5% (2017: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit (2017: profit) for the year.

For a 5% (2017: 5%) strengthening of US$ against RMB, there is no changes for profit for the year (2017: profit for the year would increase by approximately RMB10,000). For a 5% (2017: 5%) weakening of US$ against RMB, there would be an equal and opposite impact on the profit (2017: profit) for the year.

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

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

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

(d) *Liquidity risk*

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

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

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 2018						
Trade and other payables	**1,872,467**	**1,872,467**	**1,548,979**	**323,488**	**–**	**–**
Corporate bonds	**275,383**	**342,289**	**71,444**	**17,218**	**244,656**	**8,971**
Loans and borrowings						
— Floating rates	**6,699,235**	**9,028,797**	**1,219,173**	**1,169,189**	**3,258,175**	**3,382,260**
— Fixed rates	**4,918,000**	**5,883,164**	**416,493**	**1,079,558**	**4,379,971**	**7,142**
	13,765,085	**17,126,717**	**3,256,089**	**2,589,453**	**7,882,802**	**3,398,373**
As at 31 December 2017						
Trade and other payables	3,705,795	3,705,795	3,329,982	375,813	–	–
Obligations under finance leases	220	234	117	117	–	–
Corporate bonds	386,478	414,334	369,469	44,865	–	–
Loans and borrowings						
— Floating rates	5,687,938	7,478,213	848,774	1,163,407	2,879,062	2,586,970
— Fixed rates	3,652,000	4,689,733	373,236	360,249	2,956,248	1,000,000
	13,432,431	16,288,309	4,921,578	1,944,451	5,835,310	3,586,970

The amount included above for floating 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.

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

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

(e) *Price risk*

The Group is exposed to price risk through its financial assets measured at fair value through profit or loss (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% (2017: 10%) higher/lower, the Group's profit for the year would increase/decrease by approximately RMB8,114,000 (2017: RMB20,028,000) as a result of the changes in fair value of financial assets held for trading.

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 31 December 2018 and 2017 are categorised as follows. See notes 4.11(i) and 4.11(iv) for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	2018		2017	
	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	**3,466,786**	**3,466,786**	2,626,295	2,626,295
Structured bank deposits	**9,230**	**9,230**	–	–
Financial assets measured at fair value through other comprehensive income	**2,047,434**	**2,047,434**	–	–
Available-for-sale investments	**–**	**–**	1,576,206	1,576,206
Cash and cash equivalents	**256,310**	**256,310**	445,638	445,638
Financial assets measured at fair value through profit or loss	**81,143**	**81,143**	–	–
Financial assets held for trading	**–**	**–**	200,281	200,281
	5,860,903	**5,860,903**	4,848,420	4,848,420
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables	**1,872,467**	**1,872,467**	3,705,795	3,705,795
Loans and other borrowings	**11,617,235**	**11,617,235**	9,339,938	9,339,938
Obligations under finance leases	**–**	**–**	220	220
Corporate bonds	**275,383**	**275,383**	386,478	386,478
	13,765,085	**13,765,085**	13,432,431	13,432,431

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 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 2018				
Financial assets measured at fair value				
Financial assets measured at fair value through profit or loss	**81,143**	**–**	**–**	**81,143**
Financial assets measured at fair value through other comprehensive income	**–**	**–**	**2,047,434**	**2,047,434**
As at 31 December 2017				
Financial assets measured at fair value				
Financial assets held for trading	200,281	–	–	200,281
Unlisted equity investments	–	–	830,269	830,269

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.

The fair value of the available-for-sale investment in Jinzhou Bank (note 24(c)) in Level 3 and Hohhot Jingu Bank (note 24(b)(i)) are derived from the weighted average of its profits and book value, adjusted by the price-to-took ratio of similar commercial bank comparable publicly traded in the PRC as at 31 December 2018.

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

52.4 Significant unobservable inputs

Discount for lack of marketability	20%

If the discount for lack of marketability is 1% higher or lower, while all the other variables were held constant, the fair value of the available-for-sale investment in Jinzhou Bank and Hohhot Jingu Bank would decrease/increase by approximately RMB10,164,000 and RMB2,407,000, respectively.

The Group's financial assets classified in Level 3 adopted valuation techniques based on unobservable input that is significant to the fair value measurement. The movement of financial instruments within this level is as follow:

	RMB'000
Financial assets measured fair value through other comprehensive income	
At 31 December 2017	1,576,206
Initial application to HKFRS 9 (note 2.1(i))	55,716
At 1 January 2018 (restated)	1,631,922
Addition during the year	560,070
Disposal during the year	(46,000)
Reclassified to investment in subsidiaries	(27,106)
Fair value changes recognised in other comprehensive income during the year	(71,452)
At 31 December 2018	2,047,434

There were no transfers between Level 1 and Level 2, or transfers into or out of level 3 during the year ended 31 December 2018.

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. As at 31 December 2018, the Group's debt to asset ratio, being the Group's total liabilities over its total assets was 68% (2017: 67%).

54. EVENTS AFTER THE REPORTING DATE

(i) On 21 March 2019, the Group entered into a sale and purchase agreement with a connected person of the Company at the subsidiary level to dispose 17.4% equity interests in Kong Sun Baoyuan for a total consideration of RMB105,000,000. Upon completion, the Group's equity interest in Kong Sun Baoyuan will decreased for 55% to 37.6%, Kong Sun Baoyuan will cease to be a joint venture of the Company and become an associate of the Company under HKAS 28. For details, please refer to the announcement of the Company dated 21 March 2019.

(ii) On 21 March 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest in Huolin Guole for a total consideration of RMB148,608,800. Upon completion, Huolin Guole will cease to be a wholly-owned subsidiary of the Company and its financial statements will no longer be consolidated to the Group's financial statements. For details, please refer to the announcement of the Company dated 21 March 2019.

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the directors of the Company on 25 March 2019.

* For identification purposes

Five-Year Financial Summary

The financial information relating to the year ended 31 December 2018 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 2018 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				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000 (Re-presented)	RMB'000	RMB'000 (Restated)
REVENUE	**1,881,004**	1,278,704	560,571	1,736,278	524,283
PROFIT/(LOSS) FOR THE YEAR	**16,277**	120,053	54,804	(98,994)	11,667

FINANCIAL POSITION

	At 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
TOTAL ASSETS	**20,420,116**	20,010,092	15,473,629	10,407,395	3,497,760
TOTAL LIABILITIES	**(13,816,288)**	(13,463,601)	(9,076,990)	(7,005,198)	(1,396,251)
TOTAL EQUITY	**6,603,828**	6,546,491	6,396,639	3,402,197	2,101,509