江山控股
KongSun Holdings

Kong Sun Holdings Limited
Stock Code : 295

2019

Annual Report

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Jin Yanbing *(Chairman)*
Mr. Deng Chengli
Mr. Zeng Jianhua *(resigned on 26 August 2019)*
Mr. Hou Yue *(resigned on 26 August 2019)*

NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Kong
Mr. Wang Ke
Mr. Jiang Hengwen *(appointed on 26 August 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Miu Hon Kit
Ms. Wang Fang
Mr. Chen Kin Shing
Ms. Wu Wennan *(appointed on 26 August 2019)*

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. Jin Yanbing *(appointed on 26 August 2019)*
Mr. Zeng Jianhua *(resigned on 26 August 2019)*

REMUNERATION COMMITTEE

Ms. Wang Fang *(Chairman)*
Mr. Miu Hon Kit
Mr. Chen Kin Shing
Mr. Jin Yanbing *(appointed on 26 August 2019)*
Mr. Zeng Jianhua *(resigned on 26 August 2019)*

REGISTERED OFFICE

Unit 803–4, 8/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 Centre
183 Queen's Road East
Hong Kong

COMPANY SECRETARY

Mr. Chen Cong *(appointed on 26 August 2019)*
Mr. Wong Ying Kit *(resigned on 26 August 2019)*

CORPORATE INFORMATION *(continued)*

AUTHORISED REPRESENTATIVES	Mr. Jin Yanbing Mr. Chen Cong *(appointed on 26 August 2019)* Mr. Wong Ying Kit *(resigned on 26 August 2019)*
AUDITOR	BDO Limited
LEGAL ADVISER 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 2019.

In 2019, the Chinese government continued to support the development of solar power industry by implementing a series of policies, which actively promoted the reform of project construction from subsidy-driven to grid parity and subsidy cut. To this end, 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》), which officially commenced the pilot work on the construction of grid parity project. The National Energy Administration issued the Notice on the Issues Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2019 (《關於2019年風電、光伏發電項目建設有關事項的通知》), the Working Plan on the Construction of Photovoltaic Power Generation Projects in 2019 (《2019年光伏發電項目建設工作方案》) and the Notice on Bidding Results of National Subsidy for Photovoltaic Power Generation Projects in 2019 (《關於公佈2019年光伏發電項目國家補貼競價結果的通知》), which introduced a new mechanism of subsidised competition.

In January 2020, the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration issued the Opinions on Facilitating the Sound Development of Power Generation Through Non-water Renewable Energy (《關於促進非水可再生能源發電健康發展的若干意見》) and Measures for the Administration of Additional Subsidies for Renewable Energy Electricity Prices (《可再生能源電價附加補助資金管理辦法》), which clearly stated that the country will no longer publish the Renewable Energy Tariff Subsidy Catalogue, and all the existing projects will be integrated into and managed by the subsidy list, bringing benefits to the existing solar power stations.

With the implementation of the above policies, the solar power generation industry in China continued to enjoy healthy development. According to the statistics of the National Energy Administration, as at the end of 2019, the accumulated installed capacity of the solar power generation industry in China reached 0.204 billion kilowatt ("KW"). The solar power generation capacity amounted to 224.3 billion kilowatt-hour ("KWh"), representing a year-on-year increase of 26.3%. Average utilisation of solar power increased by 54 hours year-on-year. Average light rejection rate nationwide decreased by 1% year-on-year.

In 2019, riding on our sound financial position and pragmatic business strategies, the Group actively adjusted its asset structure and continuously promoted healthy business development. As at 31 December 2019, the Group has 45 grid-connected solar power plants in Shaanxi, Xinjiang, Gansu, Anhui, Zhejiang, Hebei, Shandong, Inner Mongolia, Hubei, Henan, Shanxi, Jiangsu and Qinghai in China, the total installed capacity of the Group reached 1,629.3 megawatt ("MW"), and its total annual power generation capacity was approximately 2,195,435 megawatt-hour ("MWh") for 2019. Meanwhile, the Group continued to explore opportunities in asset-light business and other clean energy investment, strengthen the operation and maintenance business of external solar power stations, expand its wind power and liquefied natural gas trading business, and engage in the green inclusive finance businesses, such as internet microfinance. In 2019, the Group recorded a revenue of approximately RMB2,079,704,000, representing an increase of 10.6% as compared to the corresponding period last year, and gross profit of approximately RMB1,097,739,000.

In the future, with focuses on clean energy and green inclusive finance, the Group will continue to develop its solar power generation business, optimise its balance sheet and business model, enhance the efficiency of equipment in power plants and accelerate its pace in shifting to an asset-light model. We will enhance our business efficiency by the industrial and financial capital integration, and promote the development of green and low-carbon energy in China, contributing 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 staff of the Group for their contribution to the Group. The Group will continue its business development with a view to maximising overall return for its shareholders.

Jin Yanbing
Chairman

Hong Kong, 27 March 2020

FINANCIAL HIGHLIGHTS

	2019 **RMB'000**	2018 RMB'000
Revenue	**2,079,704**	1,881,004
Gross Profit	**1,097,739**	1,120,612
(Loss)/profit for the year	**(698,721)**	16,277
(Loss)/earnings per share attributable to owners of the Company for the year		
— Basic (RMB cents)	**(4.67)**	0.10
— Diluted (RMB cents)	**(4.67)**	0.10
Total non-current assets	**11,250,539**	15,417,621
Total current assets	**7,421,546**	5,002,495
Total assets	**18,672,085**	20,420,116
Total non-current liabilities	**8,769,194**	10,946,138
Total current liabilities	**4,409,592**	2,870,150
Total liabilities	**13,178,786**	13,816,288
NET ASSETS	**5,493,299**	6,603,828

MANAGEMENT Discussion and Analysis

BUSINESS REVIEW

The Company is an investment holding company with its subsidiaries mainly engaged in investment in and the 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.

SOLAR POWER PLANTS BUSINESS

During the year ended 31 December 2019, 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 2019, the Group had a total of 1,629.3 MW completed solar power plants as follows:

Completed solar power plants

PRC Province	Number of solar power plants as at 31 December 2019	Capacity of solar power plants
Xinjiang	11	240.0 MW
Gansu	7	238.5 MW
Shaanxi	8	610.0 MW
Inner Mongolia	1	10.0 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	1	19.8 MW
Hubei	1	30.0 MW
Qinghai	1	20.0 MW
Total	**45**	**1,629.3 MW**

SOLAR POWER PLANTS BUSINESS *(continued)*

As at 31 December 2019, 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 2019	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 revenue arising from the provision of financial services increased by approximately 205.5% from approximately RMB12,891,000 for the year ended 31 December 2018 to approximately RMB39,385,000 for the year ended 31 December 2019.

TRADING OF LIQUEFIED NATURAL GAS

The revenue arising from the trading of liquefied natural gas increased by approximately 147.9% from approximately RMB131,659,000 for the year ended 31 December 2018 to approximately RMB326,333,000 for the year ended 31 December 2019.

SECURITIES INVESTMENT

As at 31 December 2019, the Group managed a portfolio of investments in capital markets with fair value of approximately RMB28,198,000 (2018: RMB81,143,000). The portfolio of investments managed by the Group consists of investment in one (2018: one) listed equity in Hong Kong. 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 2019, the Group had recorded an unrealised loss on fair value changes of financial assets measured at fair value through profit or loss which amounted to approximately RMB9,239,000 (2018: gain of RMB5,864,000). During the year ended 31 December 2019, the Group disposed of approximately 54.7% of its listed equity investment at a cash consideration of approximately RMB43,034,000 and resulting in a net realised loss on disposal of financial assets measured at fair value through profit or loss amounted to approximately RMB1,553,000 (2018: RMB53,613,000). For further details, please refer to the paragraph headed "Results of Operations — Financial Assets Measured at Fair Value through Profit or Loss" in this report.

RESULTS OF OPERATIONS

Revenue

The revenue of the Group increased by approximately 10.6% from approximately RMB1,881,004,000 for the year ended 31 December 2018 to approximately RMB2,079,704,000 for the year ended 31 December 2019. The increase was primarily due to the increase in revenue from trading of liquefied natural gas.

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

The Group's revenue from sales of electricity decreased slightly by approximately 2.3% from approximately RMB1,734,187,000 for the year ended 31 December 2018 to approximately RMB1,693,916,000 for the year ended 31 December 2019 due to the increased in aggregate volume of electricity generated by the Group's grid-connected solar power plants with lower selling price during the year. The solar power plants owned by the Group have generated electricity in an aggregate volume of approximately 2,195,435 MWh for the year ended 31 December 2019, representing a slight increase of approximately 0.2% as compared to approximately 2,190,064 MWh for year ended 31 December 2018.

The Group's revenue from provision of solar power plant operation and maintenance services increased by approximately 932.9% from approximately RMB1,943,000 for the year ended 31 December 2018 to approximately RMB20,070,000 for the year ended 31 December 2019 mainly due to the start 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 increased by approximately 205.5% from approximately RMB12,891,000 for the year ended 31 December 2018 to approximately RMB39,385,000 for the year ended 31 December 2019.

Revenue from trading of liquefied natural gas

The Group's revenue arising from trading of liquefied natural gas increased by approximately 147.9% from approximately RMB131,659,000 for the year ended 31 December 2018 to approximately RMB326,333,000 for the year ended 31 December 2019.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 2.0% from approximately RMB1,120,612,000 for the year ended 31 December 2018 to approximately RMB1,097,739,000 for the year ended 31 December 2019. The gross profit margin of the Group decreased from approximately 59.6% for the year ended 31 December 2018 to approximately 52.8% for the year ended 31 December 2019 mainly due to increase in revenue from trading of liquefied natural gas, which has a lower gross profit margin than the business segment of solar power plants.

Other gains and losses

The Group recorded other losses of approximately RMB72,457,000 for the year ended 31 December 2019 compared with other gains of approximately RMB41,413,000 for the year ended 31 December 2018. The losses are mainly due to (i) the recognition of impairment loss in respect of trade and other receivables amounted to approximately RMB77,113,000 (2018: reversal of RMB963,000); (ii) the decrease of office sublease income of approximately RMB33,782,000; (iii) the decrease in dividend income of approximately RMB12,522,000; and (iv) the net unrealised loss on fair values changes on financial assets measured at fair value through profit or loss of approximately RMB9,239,000 (2018: gain of RMB5,864,000). The other losses of the Group is partially netted off by the (i) decrease in net realised loss on disposal on financial assets measured at fair value through profit or loss amounted to approximately RMB52,060,000 as a result of the disposal of the listed equity investment during the year ended 31 December 2019; and (ii) decrease in write off of solar power plant of approximately RMB16,103,000.

RESULTS OF OPERATIONS *(continued)*

Administrative expenses

Administrative expenses of the Group decreased by approximately 11.0% from approximately RMB412,178,000 for the year ended 31 December 2018 to approximately RMB366,869,000 for the year ended 31 December 2019. The decrease was mainly attributable to a decrease in total employee benefit expenses of approximately RMB31,254,000 as a result of the decrease in number of head count for the year ended 31 December 2019.

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. There was no gain on bargain purchase on acquisition of subsidiaries during the year ended 31 December 2019 (2018: RMB2,504,000) For details, please refer to note 45 to the financial statements in this report.

Loss/gain on disposal/deregistration of subsidiaries, net

During the year ended 31 December 2019, the Group disposed/deregistered certain subsidiaries and recorded net loss on disposal/deregistration of subsidiaries of approximately RMB66,618,000 (2018: gain of RMB2,693,000). For details, please refer to note 46 to the financial statements in this report.

Impairment loss on a disposal group classified as held for sale

On 15 November 2019, the Group entered into sale and purchase agreements with an independent third party to dispose the entire equity interests in 千陽縣寶源光伏電力開發有限公司 Qianyang Baoyuan Photovoltaic Power Development Limited ("Baoyuan"), 阿圖什市華光能源有限公司 Artux Huaguang Energy Limited ("Huaguang"), 巨鹿縣明暉太陽能發電有限公司 Julu Minghui Photovoltaic Power Limited ("Minghui"), 蘭州太科光伏電力有限公司 Lanzhou Taike Photovoltaic Power Limited ("Taike"), 阿圖什市興光能源有限公司 Artux Xingguang Energy Limited ("Xingguang"), 溧陽新暉光伏發電有限公司 Liyang Xinhui Photovoltaic Power Generation Limited ("Xinhui"), 和靜旭雙太陽能科技有限公司 Hejing Xushuang Photovoltaic Technology Limited ("Xushuang"), 宿州市雲陽新能源發電有限公司 Suzhou Yunyang New Energy Electricity Co., Ltd. ("Yunyang") and 哈密朝翔新能源科技有限公司 Hami Zhaoxiang New Energy Technology Limited ("Zhaoxiang") (together the "Nine Project Companies") for a total equity consideration of approximately RMB760,314,000. On 5 December 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest in 定邊縣昂立光伏科技有限公司 (Dingbian Angli Solar Power Technology Co., Limited*) ("Angli") for an equity consideration of approximately RMB59,000,000. An impairment loss of approximately RMB327,729,000, representing the sale proceeds less the carrying amount of the net assets of the Nine Project Companies and Angli as at 31 December 2019, was charged to profit or loss during the year ended 31 December 2019.

Impairment loss on solar power plants

During the year ended 31 December 2019, the Group has made an impairment loss of certain solar power plants of approximately RMB43,735,000 (2018: Nil).

Finance costs

Finance costs of the Group increased by approximately 19.7% from approximately RMB745,545,000 for the year ended 31 December 2018 to approximately RMB892,236,000 for the year ended 31 December 2019. As the Group's average total loans and borrowings increased as compared to the corresponding period of last year, the finance costs related to the borrowings also increased.

RESULTS OF OPERATIONS *(continued)*

Core (Loss)/Profit

Core (loss)/profit represents (loss)/profit after tax before one-off items. These one-off items include (i) no gain on bargain purchase on acquisition of subsidiaries (2018: RMB2,504,000); (ii) loss on disposal/deregistration of subsidiaries, net of approximately RMB66,618,000 (2018: gain of RMB2,693,000); (iii) impairment loss on a disposal group classified as held for sale of approximately RMB327,729,000 (2018: Nil); (iv) impairment loss on solar power plants of approximately RMB43,735,000 (2018: Nil); (v) loss on disposal of a joint venture of approximately RMB3,918,000 (2018: Nil); and (vi) no gain on disposal of an associate (2018: RMB5,661,000). The Group recorded a core loss of approximately RMB256,721,000 (2018: profit of RMB5,419,000) for the year ended 31 December 2019.

Solar power plants

As at 31 December 2019, the Group had a net carrying amount of approximately RMB8,626,215,000 (2018: RMB12,160,658,000) and approximately RMB121,270,000 (2018: RMB433,798,000) in completed solar power plants and solar power plants under construction, respectively. As at 31 December 2019, the Group had a total of 1,629.3 MW installed capacity of completed solar power plants, comparing to the 1,789.3 MW installed capacity of solar power plants as at 31 December 2018.

Interest in associates

As at 31 December 2019, the net carrying amount of associates was approximately RMB226,691,000 (2018: RMB13,290,000). The increase was mainly due to the reclassification of 江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*) ("Kong Sun Baoyuan") from interest in a joint venture to interest in associates upon the disposal of 17.4% of its equity interest.

During the year ended 31 December 2019, the Group disposed of 17.4% equity interests in Kong Sun Baoyuan for a consideration of RMB105,000,000 to a connected person of the Company at the subsidiary level. Upon completion, the Group's equity interest in Kong Sun Baoyuan decreased from 55% to 37.6%, Kong Sun Baoyuan ceased 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.

The Group executes a guarantee with respect to a loan of approximately RMB44,621,000 (2018: RMB92,873,000) granted by independent third parties to Kong Sun Baoyuan as at 31 December 2019, 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 2019, the Group had a total amount of approximately RMB96,930,000 (2018: RMB149,197,000) in respect of goodwill on the acquisition of subsidiaries. The decrease is mainly contributed by the reclassification of an amount of approximately RMB52,221,000 to disposal group classified as held for sale upon the entering into the sale and purchase agreements with an independent third party for the disposal of the Nine Project Companies on 15 November 2019.

Right-of-use Assets and Lease Liabilities

The Group has applied HKFRS 16 and recognised right-of-use assets and lease liabilities since 1 January 2019. As at 31 December 2019, the right-of-use assets and lease liabilities amounted to approximately RMB409,133,000 (2018: Nil) and approximately RMB214,330,000 (2018: Nil).

RESULTS OF OPERATIONS *(continued)*

Financial assets measured of fair value through other comprehensive income

Financial assets measured of fair value through other comprehensive income decreased by approximately 15.5% from approximately RMB2,047,434,000 as at 31 December 2018 to approximately RMB1,729,091,000 as at 31 December 2019. The decrease is mainly due to the fair value loss on financial assets measured at fair value through other comprehensive income amounted to approximately RMB422,893,000 during the year ended 31 December 2019. The decrease is partially netted off by (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 RMB92,500,000; and (ii) the 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 RMB12,050,000 during the year ended 31 December 2019. 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 23 to the financial statements in this report.

Financial assets measured of fair value through profit or loss

As at 31 December 2019, the Group had financial assets measured at fair value through profit or loss with market value of approximately RMB28,198,000 (2018: RMB81,143,000), representing approximately 0.2% (2018: 0.4%) of the total assets of the Group as at 31 December 2019. The portfolio of investments managed by the Group consists of investment in one (2018: one) listed equity in Hong Kong. The Group held approximately 0.8% (2018: 1.3%) shareholding in the listed equity as at 31 December 2019. During the year ended 31 December 2019, the Group had recorded an unrealised loss on fair value changes of financial assets measured at fair value through profit or loss which amounted to approximately RMB9,239,000 (2018: gain of RMB5,864,000). During the year ended 31 December 2019, the Group disposed of approximately 54.7% of its listed equity investment at a cash consideration of approximately RMB43,034,000 and resulting in a net realised loss on disposal of financial assets measured at fair value through profit or loss amounted to approximately RMB1,553,000 (2018: RMB53,613,000).

Trade, bills and other receivables

Trade, bills and other receivables decreased by approximately 7.6% from approximately RMB4,646,076,000 as at 31 December 2018 to approximately RMB4,292,131,000 as at 31 December 2019. The decrease was mainly due to the reclassification of approximately RMB798,264,000 to disposal group classified as held for sale upon the entering into the sale and purchase agreements with independent third parties for the disposals of the Nine Project Companies and Angli on 15 November 2019 and 5 December 2019, respectively.

Structured bank deposits

As at 31 December 2019, the Group placed approximately RMB4,230,000 (2018: 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.

Trade and Other Payables

Trade and other payables decreased by approximately 12.3% from approximately RMB1,903,547,000 as at 31 December 2018 to approximately RMB1,669,254,000 as at 31 December 2019. 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 in recent years, trade payables, which was mainly related to construction costs of solar power plants, have decreased by approximately 30.2% from approximately RMB1,493,153,000 as at 31 December 2018 to approximately RMB1,042,309,000 as at 31 December 2019.

RESULTS OF OPERATIONS *(continued)*

Liquidity and Capital Resources

As at 31 December 2019, cash and cash equivalents of the Group was approximately RMB194,156,000 (2018: RMB256,310,000), which included an amount of bank balances of approximately RMB190,959,000 (2018: RMB245,790,000) 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 2019, 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 1.78 (2018: 1.76).

Capital Expenditure

During the year ended 31 December 2019, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB19,333,000 (2018: RMB7,192,000) and approximately RMB67,807,000 (2018: RMB222,743,000), respectively.

Loans and Borrowings

As at 31 December 2019, the Group's total loans and borrowings was approximately RMB9,670,077,000, representing a decrease of approximately 16.8% compared to approximately RMB11,617,235,000 as at 31 December 2018. The decrease in the Group's total loans and borrowings was mainly due to a decrease in the Group's investments in solar power plants upon the entering into the sale and purchase agreements with independent third parties for the disposals of the Nine Project Companies and Angli on 15 November 2019 and 5 December 2019, respectively, which lead to a decrease in loans and borrowings to finance such investments. All the loans and borrowings of the Group were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC. As at 31 December 2019, loans and borrowings of approximately RMB5,033,500,000 (2018: RMB4,918,000,000) and approximately RMB4,636,577,000 (2018: RMB6,699,235,000) bear fixed interest rate and floating interest rate, respectively.

As at 31 December 2019, out of the total borrowings, approximately RMB1,370,428,000 (2018: RMB890,610,000) was repayable within one year and approximately RMB8,299,649,000 (2018: RMB10,726,625,000) was repayable after one year. For details, please refer to note 32 to the financial statements in this report.

Corporate bonds

As at 31 December 2019, corporate bonds denominated in Hong Kong dollar with an aggregate principal amount of HK$343,500,000 (equivalent to approximately RMB307,700,000) (2018: HK$344,000,000 (equivalent to approximately RMB301,413,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 7% (2018: 3% to 9%) per annum, and will mature on the date immediately following 6 to 96 months (2018: 3 to 96 months) after their issuance.

During the year ended 31 December 2019, the Group issued corporate bonds with an aggregate principal amount of HK$64,000,000 (equivalent to approximately RMB56,353,000) (2018: HK$290,500,000 (equivalent to approximately RMB254,536,000)) to certain independent third parties, the net proceeds of the issued corporate bonds received by the Company were approximately HK$57,761,000 (equivalent to approximately RMB50,860,000) (2018: HK$257,727,000 (equivalent to approximately RMB225,820,000)), with total issue cost amounting to approximately HK$6,239,000 (equivalent to approximately RMB5,493,000) (2018: HK$32,773,000 (equivalent to approximately RMB28,716,000)).

RESULTS OF OPERATIONS *(continued)*

Corporate bonds *(continued)*

During the year ended 31 December 2019, the Group repaid HK$64,500,000 (equivalent to approximately RMB56,794,000) (2018: HK$423,500,000 (equivalent to approximately RMB371,071,000)) 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 10.40% to 14.56% (2018: 10.24% to 12.00%) per annum. Imputed interest of approximately HK$31,013,000 (equivalent to approximately RMB27,308,000) (2018: HK$44,200,000 (equivalent to approximately RMB37,318,000)) (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 2019.

Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the year ended 31 December 2019, 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 2019, the Group had charged solar power plants, trade receivables, right-of-use assets/lease prepayments and unlisted equity investments with net book value of approximately RMB6,413,341,000 (2018: RMB8,027,467,000), approximately RMB2,029,478,000 (2018: RMB1,713,102,000), approximately RMB756,000 (2018: RMB774,000) and approximately RMB438,840,000 (2018: RMB813,158,000), respectively, to secure bank loans and other loans facilities granted to the Group.

Save as disclosed above and in note 32 to the financial statements in this report, during the year ended 31 December 2019, 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 2019, the Group has no other significant contingent liabilities.

RESULTS OF OPERATIONS *(continued)*

Employees and Remuneration Policy

As at 31 December 2019, the Group had approximately 614 employees (2018: 849) 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 2019, the total employee benefit expenses (including directors' emoluments) were approximately RMB185,597,000 (2018: RMB253,776,000). 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 and short-term bonuses, 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 (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. The Share Option Scheme expired on 21 July 2019 and no further options could thereafter be granted. Notwithstanding the expiry of the Share Option Scheme, the share options which had been granted during the life of the scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

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.

CONNECTED TRANSACTION (continued)

On 21 March 2019, BD Technology Limited ("BD Technology"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement as vendor with 深圳市雄韜電源科技股份有限公司 (Shenzhen Xiongtao Electronic Technology Company Limited*) ("Shenzhen Xiongtao") as purchaser pursuant to which BD Technology agreed to sell and Shenzhen Xiongtao agreed to acquire 17.4% equity interest in Kong Sun Baoyuan for a total consideration of RMB 105,000,000. As at the date of the transaction, Kong Sun Baoyuan was owned as to 55% by BD Technology, and as to 45% by Shenzhen Xiongtao. Accordingly, Shenzhen Xiongtao is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules and the transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Upon completion, the Group's equity interest in Kong Sun Baoyuan decreased from 55% to 37.6%, Kong Sun Baoyuan ceased to be a joint venture of the Company and become an associate of the Company. For details, please refer to the announcement of the Company dated 21 March 2019.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this report, the Group did not have any other significant investments, did not hold any significant investments in an investee company with a value of 5% more of the Company's total assets, other material acquisition or disposal during the year ended 31 December 2019, 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.

As disclosed in the circular of the Company dated 6 January 2020, the Group was negotiating with independent third parties for the possible disposal of two (2) project companies, each holding one (1) solar power plant of the Group, respectively, with a total installed capacity of 80 MW (the ''Further Disposals''). Up to the date of this announcement, the Group had not yet entered into any legally binding agreements for the Further Disposals. The Company will make further announcement(s) in respect of the Further Disposal(s) as and when appropriate under the Listing Rules.

PROSPECT

Given the decline in the price of solar power generation equipment and the improvement in its efficiency, the cost of solar power generation continues to decrease and its application covers a growing number of countries extensively. In 2019, the additional installed capacity of global solar power generation market amounted to approximately 120 GW[1]. On the whole, the global solar power generation market will continue to enjoy steady growth.

In 2019, China's solar power additional installed capacity amounted to 30.11 GW, which ranked first in the world for seven consecutive years. Its accumulated installed capacity reached 204.3 GW, representing a year-on-year increase of 17.3%. Taking into account its gradual transition from subsidy-dependent to grid parity, China's solar power generation market is expected to maintain healthy growth in the future.

At the same time, the total installed capacity of solar power and wind power in China has exceeded 400GW, creating a huge market for operation and maintenance of new energy power plants with sustained and rapid growth.

Looking forward, grasping the opportunities in the solar power generation industry, the Group will continue to push its strategies on the current investment and operation of solar power plants forward, optimise its power asset allocation, step up its effort to improve the efficiency of power generation, actively participate in power trading market, and accelerate its pace in shifting to an asset-light model, striving to become the leading domestic service provider for new energy power plant operation and maintenance. We will continue to promote the development of green inclusive finance businesses, so as to further strengthen the Group's overall competitiveness and enhance its operating performance.

[1] Based on the data published by China Photovoltaic Industry Association* (中國光伏行業協會)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Jin Yanbing

aged 41, was appointed as the Chairman of the board of Director and the Chief Executive Officer of the Company on 26 August 2019. Mr. Jin has been an executive Director and authorised representative of the Company since 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 17 years of operational management experience from his prior experience in operational 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.

Mr. Deng Chengli

aged 47, 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 16 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.

NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Kong

aged 54, 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 a 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 Beijing Enterprises Urban Resources Group Limited, a company listed on the Stock Exchange, (stock code: 3718). From November 2017 to January 2020, Mr. Wu was 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 35, 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).

Mr. Jiang Hengwen

aged 51, was appointed as a non-executive Director of the Company on 26 August 2019. Mr. Jiang has extensive experience in overseas investment and finance and securities industries. Mr. Jiang served as the managing vice president of Hunan Youjin Business Consulting Co., Ltd.* (湖南省優金商務諮詢有限公司), the senior analyst of the fund department of RBC Global Asset Management Inc. (加拿大皇家銀行全球資產管理公司)* and the manager of the investment department of Hunan Jinfan Investment (Group) Co., Ltd.* (湖南省金帆投資(集團)公司).

Mr. Jiang obtained a bachelor's degree in international finance from the School of Banking and Finance, University of International Business and Economics* (對外經濟貿易大學中國金融學院) in the PRC and a master degree from John Molson School of Business in Canada.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENTS *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Miu Hon Kit

aged 52, was appointed as an independent non-executive Director of the Company 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 was appointed as a director of Malca-Amit Global Limited on 1 February 2020. 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. From March 2016 to October 2018, Mr. Miu was an independent non-executive director of Zhuoxin International Holdings Limited, a company listed on the Stock Exchange (stock code: 8266). From September 2016 to January 2018, Mr. Miu was an independent non-executive Director of Chong Kin Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1609).

Mr. Chen Kin Shing

aged 52, was appointed as an independent non-executive Director of the Company 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 48, was appointed as an independent non-executive Director of the Company 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.

Ms. Wu Wennan

aged 51, was appointed as an independent non-executive Director of the Company on 26 August 2019. Ms. Wu has extensive experience in the areas of accounting and financial management. She served as the chief financial officer of China Mengniu Dairy Company Limited (Stock Code: 2319), a company listed on the Main Board of the Stock Exchange, China Huiyuan Juice Group Limited (Stock Code: 1886), a company listed on the Main Board of the Stock Exchange, Tenwow International Holdings Limited (Stock Code: 1219), a company listed on the Main Board of the Stock Exchange, the financial executive of SkyOcean Group* (天洋集團) and Zhongding Dairy Farming Co., Ltd.* (中鼎聯合牧業股份有限公司) and the chief financial officer and the vice president of finance in AirNet Technology Inc. (Stock Code: AMCN), a company listed on NASDAQ. Before that, Ms. Wu worked at listed and unlisted companies in Hong Kong and the mainland China and accounting firm.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENTS *(continued)*

SENIOR MANAGEMENT

Mr. Qin Hongfu

aged 41, was appointed as the chief financial officer of the Company on 9 September 2019. Mr. Qing was the chief financial officer of Beijing Hongzhi Huitong Industrial Co., Ltd.* (北京鴻智慧通實業有限公司) during the period from September 2016 to July 2019. Prior to that, Mr. Qin was the chief financial officer of Harbin Kechuang Xingye Investment Co., Ltd.* (哈爾濱科創興業投資有限公司) during the period from September 2004 to August 2016. From July 2000 to August 2004, Mr. Qin was an accountant of Hebei Yongzhengde Accounting Firm* (河北永正得會計師事務所). Mr. Qin was also a non-executive director as well as a member of the audit committee of the board of Harbin Bank Co., Ltd.* (哈爾濱銀行股份有限公司) (Stock Code: 6138), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited during the period from May 2011 to August 2016. Mr. Qin received a bachelor's degree in management from Shijiazhuang University of Economics* (石家莊經濟學院) in June 2000 and is an accountant as accredited by the Ministry of Finance of the People's Republic of China* (中華人民共和國財政部).

Mr. Chen Cong

aged 37, was appointed as the Company secretary and the authorised representative of the Company on 26 August 2019. Mr. Chen has over 10 years of experience in the areas of multinational corporate investor relations, investment finance, asset management, corporate finance management. Mr. Chen was the senior manager of the investment bank department of China International Capital Corporation Limited* (中國國際金融有限公司) from 2008 to 2012. He previously held positions as the chief managing director of the securities division and the office supervisor of the chief executive office of Huabao International Holdings Co., Ltd. (華寶國際控股有限公司) (Stock Code: 336), a company listed on the Main Board of the Stock Exchange, and as the vice president, the chief financial officer and the board secretary of Huabao Flavours & Fragrances Co., Ltd.* (華寶香精股份有限公司) (Stock Code: 300741), a company listed on the Shenzhen Stock Exchange, from 2013 to 2018. Mr. Chen is a fellow member of each of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also qualified as the board secretaries of the companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Mr. Chen received a master of finance and a bachelor's degree of engineering both from Tsinghua University* (清華大學).

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 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are investment in and the 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 2019 are set out in the consolidated statement of profit or loss on page 86.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

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.

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

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

EVENTS AFTER REPORTING DATE

(i) On 15 November 2019, the Group entered into sale and purchase agreements with an independent third party to dispose the entire equity interests in 千陽縣寶源光伏電力開發有限公司 Qianyang Baoyuan Photovoltaic Power Development Limited ("Baoyuan"), 阿圖什市華光能源有限公司 Artux Huaguang Energy Limited ("Huaguang"), 巨鹿縣明暉太陽能發電有限公司 Julu Minghui Photovoltaic Power Limited ("Minghui"), 蘭州太科光伏電力有限公司 Lanzhou Taike Photovoltaic Power Limited ("Taike"), 阿圖什市興光能源有限公司 Artux Xingguang Energy Limited ("Xingguang"), 溧陽新暉光伏發電有限公司 Liyang Xinhui Photovoltaic Power Generation Limited ("Xinhui"), 和靜旭雙太陽能科技有限公司 Hejing Xushuang Photovoltaic Technology Limited ("Xushuang"), 宿州市雲陽新能源發電有限公司 Suzhou Yunyang New Energy Electricity Co., Ltd. ("Yunyang") and a 哈密朝翔新能源科技有限公司 Hami Zhaoxiang New Energy Technology Limited ("Zhaoxiang") for a total equity consideration of approximately RMB760,313,000. As at the date of this report, the transfer of entire equity interests in Xinhui, Xushang and Zhaoxiang to the purchaser have been completed, Xinhui, Xushang and Zhaoxiang ceased to be wholly-owned subsidiaries of the Company and their financial statements no longer be consolidated to the Group's financial statements. As at the date of this report, the transfer of entire equity interest in the remaining six companies to the purchaser have not been completed and they remain as wholly-owned subsidiaries of the Company.

(ii) On 5 December 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest in 定邊縣昂立光伏科技有限公司 Dingbian Angli Solar Power Technology Co., Limited*) ("Angli") for an equity consideration of approximately RMB59,000,000. As at the date of this report, the transfer of entire equity interest in Angli to the purchaser has been completed, Angli ceased to be a wholly-owned subsidiary of the Company.

(iii) Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment in the PRC. Up to the date of this report, COVID-19 has not resulted in material impact to the operating activities of the Group, except of the delay in settlement and cash receipts. Pending on the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated up to the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

Save as disclosed above, there are no other material events affecting the Group which have occurred after 31 December 2019 and up to the date of this report.

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 2019 are set out in note 53 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 practises 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 2019, 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 favourable measures, it is possible that these measures will be modified abruptly. In order to minimise this risk, the Company will strictly follow the rules set out by the government, 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 utilisation 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.

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

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.

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 51 to the consolidated financial statements.

FINANCIAL STATEMENTS

The financial performance of the Group for the year ended 31 December 2019 and the financial position of the Group as at that date are set out on pages 86 to 89.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2019 are set out on page 90.

DISTRIBUTABLE RESERVES

At 31 December 2019 and 2018, 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 196 of this annual report.

FIXED ASSETS

Details of movements during the year ended 31 December 2019 in the property, plant and equipment, solar power plants, and right-of-use assets/lease prepayments of the Group are set out in notes 17, 18 and 22 to the financial statements, respectively.

SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2019 and as at that date are set out in note 35 to the financial statements.

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.

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.

Disposal of 17.4% equity interests in a joint venture to a connected person

On 21 March 2019, BD Technology Limited ("BD Technology"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement as vendor with 深圳市雄韜電源科技股份有限公司 (Shenzhen Xiongtao Electronic Technology Company Limited*) ("Shenzhen Xiongtao") as purchaser pursuant to which BD Technology agreed to sell and Shenzhen Xiongtao agreed to acquire 17.4% equity interest in Kong Sun Baoyuan for a total consideration of RMB105,000,000. As at the date of the transaction, Kong Sun Baoyuan was owned as to 55% by BD Technology, and as to 45% by Shenzhen Xiongtao. Accordingly, Shenzhen Xiongtao is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules and the transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Upon completion, the Group's equity interest in Kong Sun Baoyuan decreased from 55% to 37.6%, Kong Sun Baoyuan ceased to be a joint venture of the Company and become an associate of the Company. For details, please refer to the announcement of the Company dated 21 March 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.

Following the expiry of the Share Option Scheme, no further share options could be granted thereunder. As at 31 December 2019, a total of 538,510,000 shares of the Company may be issued upon exercise of all options which had been granted and yet to be exercised under the Share Option Scheme, representing 3.47% of the total shares in issue.

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.

The Share Option Scheme expired on 21 July 2019 and no further options could thereafter be granted. Notwithstanding the expiry of the Share Option Scheme, the share options which had been granted during the life of the scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

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 2019:

		Number of share options							
Grantee(s)	**Date of grant**	**As at 1 January 2019**	**Granted during the year**	**Cancelled during the year**	**Lapsed during the year**	**Exercised during the year**	**As at 31 December 2019**	**Exercise Price HK$**	**Approximate % of shareholding upon fully exercise of share options (Note ii)**
Executive Directors									
Jin Yanbing *(Chairman)*	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%
Deng Chengli	8 October 2014	21,000,000	–	–	(21,000,000)	–	–	1.10	–
	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%
Zeng Jianhua *(Note (iii))*	3 April 2017	100,000,000	–	–	(100,000,000)	–	–	0.30	–
	28 April 2017	5,670,000	–	–	(5,670,000)	–	–	0.41	–
Hou Yue *(Note (iii))*	3 April 2017	19,000,000	–	–	(19,000,000)	–	–	0.30	–
	28 April 2017	5,670,000	–	–	(5,670,000)	–	–	0.41	–
Independent non-executive Directors									
Miu Hon Kit	8 October 2014	1,000,000	–	–	(1,000,000)	–	–	1.10	–
	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	–	–	(152,340,000)	–	55,340,000		0.36%
Other employees and consultants of the Group	8 October 2014	227,150,000	–	–	(227,150,000)	–	–	1.10	–
	3 April 2017	179,330,000	–	–	(19,330,000)	–	160,000,000	0.30	1.04%
	28 April 2017	253,670,000	–	–	(36,170,000)	–	217,500,000	0.41	1.41%
Total		867,830,000	–	–	(434,990,000)	–	432,840,000		2.81%

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$
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 2019, assuming all the outstanding share options are exercised.

(iii) Mr. Zeng Jianhua and Mr. Hou Yue resigned as executive Directors on 26 August 2019.

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 2019 are set out in notes 32 and 33 respectively to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2019, 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. Jin Yanbing *(Chairman)*
Mr. Deng Chengli
Mr. Zeng Jianhua *(Resigned on 26 August 2019)*
Mr. Hou Yue *(Resigned on 26 August 2019)*

Non-executive Directors

Mr. Wu Tak Kong
Mr. Wang Ke
Mr. Jiang Hengwen *(Appointed on 26 August 2019)*

Independent non-executive Directors

Mr. Miu Hon Kit
Ms. Wang Fang
Mr. Chen Kin Shing
Ms. Wu Wennan *(Appointed on 26 August 2019)*

In accordance with article 82 of the Company's Articles, Mr. Jiang Hengwen and Ms. Wu Wennan will retire and, being eligible, will offer himself/herself for re-election at the annual general meeting of the Company to be held on Friday, 29 May 2020 (the "AGM").

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. Wu Tak Kong, Mr. Wang Ke and Mr. Miu Hon Kit will retire from office by rotation and, being eligible, will offer themselves for re-election as Directors at the AGM.

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 21.

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 2019.

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

As at 31 December 2019, 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 2019	Approximate percentage of shareholding upon fully exercise of share options*
Jin Yanbing *(Chairman)*	Beneficial owner	3 April 2017	16,000,000	0.10%
	Beneficial owner	28 April 2017	5,670,000	0.04%
Deng Chengli	Beneficial owner	3 April 2017	25,000,000	0.15%
	Beneficial owner	28 April 2017	5,670,000	0.04%
Miu Hon Kit	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%
			55,340,000	0.36%

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 2019, assuming all the outstanding share options are exercised.

Save as disclosed above, as at 31 December 2019, 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 2019, 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]	9,258,965,000 (L)	61.87%
Shanghai Lianmi Investment Management Co., Ltd.* 上海聯米投資管理有限公司	Deemed interest in controlled corporation[1]	9,258,965,000 (L)	61.87%
Forever Bright Consultants Limited	Deemed interest in controlled corporation[1]	9,258,965,000 (L)	61.87%
Golden Port Holdings Limited	Deemed interest in controlled corporation[1]	9,258,965,000 (L)	61.87%
Pohua JT Capital Partners Limited	Deemed interest in controlled corporation[1]	9,258,965,000 (L)	61.87%
Pohua JT Private Equity Fund L.P.	Beneficial owner[1]	9,258,965,000 (L)	61.87%
Xiang Jun	Beneficial owner	756,831,000 (L)	5.06%

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 9,258,965,000 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 2019 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 2019, 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 2019 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 2019, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss amounted to approximately RMB24,828,000 (2018: RMB37,659,000).

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 2019 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, 25 May 2020 to Friday, 29 May 2020 (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, 22 May 2020.

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 2019 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 2019, 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 39 to 52 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 53 to 80 of this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 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 61.4% (2018: 61.2%) of the Group's total sales. The largest customer accounted for approximately 26.5% (2018: 27.2%) 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

Jin Yanbing
Chairman and executive Director

Hong Kong
27 March 2020

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 December 2019.

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 2019.

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 the annual report.

CHANGES IN INFORMATION OF DIRECTORS

The following information is set out pursuant to the requirements of Rule 13.51B(1) of the Listing Rules:

With effect from 26 August 2019, the monthly remuneration of each of Mr. Miu Hon Kit and Ms. Wang Fang has been revised to HK$20,000.

THE BOARD

As at the date of the annual report, the Board consists of nine Directors, two of whom are executive Directors, three of whom are non-executive Directors and four 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.

THE BOARD *(continued)*

During the year ended 31 December 2019, the Company had as all times complied with Rule 3.10 and Rule 3.10A of the Listing Rules.

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

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

In accordance with articles 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 21 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. On 26 August 2019, Mr. Zeng Jianhua resigned as the Chairman, the CEO and an executive Director and on the same date, Mr. Jin Yanbing was appointed as the Chairman of the Board and the CEO. During the year ended 31 December 2019, the Company does not have a separate Chairman and CEO. Mr. Jin Yanbing 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 2019, the Audit Committee held two meetings on 25 March 2019, 23 August 2019. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2019 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 2019, 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 2019.

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 Company has adopted the model set out in code provision B.1.2(c)(ii) of the CG code as its Remuneration Committee model. 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. Jin Yanbing (appointed on 26 August 2019)) 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 2019, the Remuneration Committee held two meetings on 25 March 2019 and 26 August 2019, respectively.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors) by band for the year ended 31 December 2019 is as follows:

Emolument band	**Number of individuals**
HK$ Nil to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	1

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. Jin Yanbing (appointed on 26 August 2019)) 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 2019, the Nomination Committee held two meetings on 25 March 2019 and 26 August 2019, 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 2019 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					
Jin Yanbing *(Chairman)*	8/8	N/A	1/1	1/1	2/2
Deng Chengli	8/8	N/A	N/A	N/A	2/2
Zeng Jianhua *(Resigned on 26 August 2019)*	6/6	N/A	1/1	1/1	2/2
Hou Yue *(Resigned on 26 August 2019)*	6/6	N/A	N/A	N/A	2/2
Non-executive Directors					
Wu Tak Kong	8/8	N/A	N/A	N/A	2/2
Wang Ke	8/8	N/A	N/A	N/A	2/2
Jiang Hengwen *(Appointed on 26 August 2019)*	1/1	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Miu Hon Kit	8/8	2/2	2/2	2/2	2/2
Chen Kin Shing	8/8	2/2	2/2	2/2	2/2
Wang Fang	8/8	2/2	2/2	2/2	2/2
Wu Wennan *(Appointed on 26 August 2019)*	1/1	N/A	N/A	N/A	N/A

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 2019, covering the topics of directors' duties, corporate governance practices and disclosure requirements under the Listing Rules and SFO.

DIRECTORS' TRAINING *(continued)*

According to the records maintained by the Company, Directors received continuous professional development with an emphasis on the roles, functions and duties of being a director of a listed company in compliance with code provision A.6.5 of the CG Code during the year ended 31 December 2019:

	Corporate governance/ updates on laws, rules and regulations	Accounting/ financial/ management or other professional skills
Executive Directors		
Jin Yanbing *(Chairman)*	✓	
Deng Chengli	✓	
Non-executive Directors		
Wu Tak Kong	✓	✓
Wang Ke	✓	
Jiang Hengwen *(Appointed on 26 August 2019)*	✓	
Independent non-executive Directors		
Miu Hon Kit	✓	✓
Chen Kin Shing	✓	
Wang Fang	✓	
Wu Wennan *(Appointed on 26 August 2019)*	✓	✓

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 2019. 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 2019.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2019 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 2019, 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 RMB3,962,000 (2018: RMB4,221,000) and RMB1,072,000 (2018: RMB500,000), respectively. The non-audit services conducted by the external auditor mainly include professional services on special services rendered in relation to disposal of subsidiaries and 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 2019 and up to the date of this annual report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year under review, the Group has complied with Code Provision C.2 of the CG 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: Analyse 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 2019, 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 MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Control System *(continued)*

- 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.

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 2019, 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.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Effectiveness of the Risk Management and Internal Control Systems *(continued)*

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.

COMPANY SECRETARY

The position of the company secretary of the Company ("Company Secretary") is held by Mr. Chen Cong. All directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed. During the year ended 31 December 2019, Mr. Chen undertook not less than 15 hours of professional training to update his skills and knowledge.

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, 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.

SHAREHOLDER RIGHTS *(continued)*

Convening an extraordinary general meeting by shareholders *(continued)*

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

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

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

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to kongsun@wsfg.hk 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 2019.

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 803–4, 8/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 ("ESG") report of Kong Sun Holdings Limited (the "Group" or "we") summarises and presents the sustainable development works of the Group from 1 January 2019 to 31 December 2019 (the "Year"). The ESG Report primarily sets out the overall environmental and social policies of the Group when conducting solar power generation business in the People's Republic of China (the "PRC" or "China"). The key disclosures of key performance indicators ("KPIs") at environmental and social aspects of the Year include (i) the headquarters of the Group in Beijing; (ii) 45 power plants of the Group as at 31 December 2019; and (iii) 3 power stations (including 1 power station in Inner Mongolia, 1 power station in Zhejiang and 1 power station in Jiangxi) that completed equity transfer during the Year. For details on corporate governance, please refer to the Corporate Governance Report on pages 53 to 80.

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 2019 Development Report on Electricity Industry in China (《中國電力行業發展報告(2019)》) 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 SUSTAINABLE DEVELOPMENT

Vision on Sustainable Development

The Group focuses on the investment business in the field of renewable energy and regards "greener earth, brighter future" as 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 and experienced management team, high-level technical talents, and strong capital strength, striving 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, provide clean power energy for the society and support the development of environment protection business. 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. We 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 continue to work in line with the national policies regarding green development and renewable energy, step up its effort in developing solar power business, and promote national green and low-carbon energy development, thereby contributing to environmental protection.

ESG GOVERNANCE

The Group understands that good ESG governance is the key to the long-term development of an enterprise. The Group upholds the vision of sustainable development and insists on sustainable business to deliver returns to the stakeholders and the Group in long run. To this end, the Board of the Group takes the Group's primary ESG management responsibility to formulate the Group's ESG strategy and report, and is also responsible for identifying and assessing the Group's ESG-related risks to ensure an effective ESG risk management and internal control system, thereby enhancing the ESG performance of the Group.

PLACING GREAT EMPHASIS ON STAKEHOLDERS ENGAGEMENT

Communication with Stakeholders

Active participation of and continual support from stakeholders play a pivotal role in the Group's long-term success. The Group insists on close communication with stakeholders in order to improve its sustainable development management system and achieve the goals of sustainable development. Therefore, we collect stakeholders' opinions and suggestions through a variety of communication channels, and respond to their expectations and concerns in different ways, so as to improve our ESG performance and future development strategies.

Government and Regulators	Shareholders	Business Partners	Customers
• **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 Response** • Regular information report • Inspection and supervision	• **Expectation and Requirement** • Returns • Compliant operation • Enhancing company's value • Information transparency and effective communication • **Communication and Response** • General meeting • Announcements • Email, phone and company website • Special Topic Reports	• **Expectation and Requirement** • Operational integrity • Fair competition • Performing contracts according to the laws • Achieving reciprocity • **Communication and Response** • Review and evaluation meeting • Business communication • Seminar • Communication and cooperation	• **Expectation and Requirement** • Stable power supply • Health and safety • To perform the contracts according to the laws • Operation in good faith • **Communication and Response** • Customer service centre and hotline • Customer opinion survey • Customer communication meeting • Social media platform

Environment	Industry	Employees	Community and the Public
• **Expectation and Requirement** • Compliant emission • Energy conservation and emission reduction • Ecosystem conservation • **Communication and Response** • Communication with local environmental departments • Communication with local residents • Report submission	• **Expectation and Requirement** • Developing industrial standards • Promoting industry development • **Communication and Response** • Participation in industry forums	• **Expectation and Requirement** • Rights protection • Occupational health • Remuneration and benefits • Caring • **Communication and Response** • Staff meetings for communication • Company internal newsletter and intranet • Training and workshops • Activities for employees	• **Expectation and Requirement** • Improving community environment • Participation in charity work • Open and transparent information • **Communication and Response** • Company website • Announcements • Media interview • Social media platform

Materiality Assessment

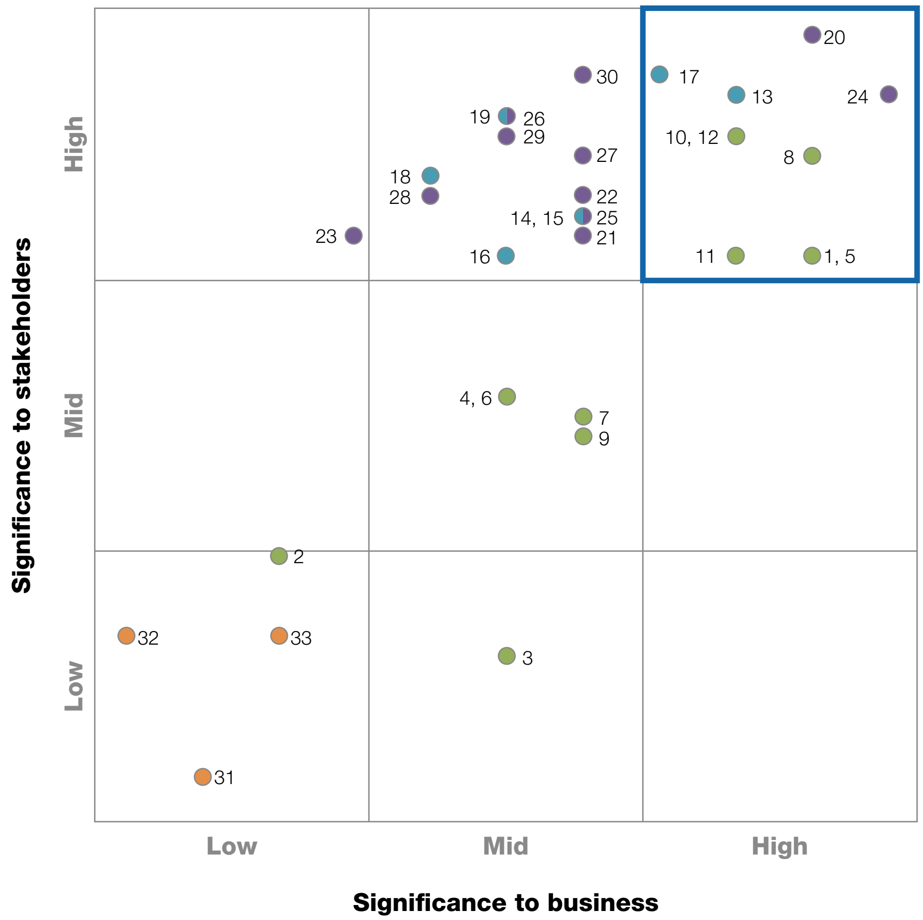
During the Year, the Group has engaged an independent third-party consultant to assist us in conducting a materiality assessment in a fair and equitable manner to identify material ESG aspects. The implementation of materiality assessment has been divided into three main phases:

(i) identifying the potential material ESG aspects 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 matrix diagram is prepared by the Group to illustrate the significance of various issues to our stakeholders and 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.

Environment		Labour practices		Operation practices		Community investment	
1	Environmental compliance	13	Employment compliance	20	Operational compliance	31	Charity work
2	Vehicle emissions management	14	Remuneration and benefits	21	Management of environmental risks in the supply chain	32	Promotion of community development
3	Greenhouse gas emissions	15	Working hours and rest periods	22	Management of social risks in the supply chain	33	Poverty alleviation work
4	Waste management	16	Diversity and equal opportunities	23	Purchasing practices		
5	Use of energy	17	Occupational health and safety	24	Quality management		
6	Use of water resources	18	Training and development	25	Customer health and safety		
7	Green office	19	Prevention of child labour and forced labour	26	Protection of intellectual property		
8	Green energy projects			27	Research and development		
9	Green building			28	Information security		
10	Ecological protection			29	Customer privacy protection		
11	Responses to climate change			30	Anti-corruption		
12	Prevention and treatment of environmental incidents						

Based on the above materiality assessment, the Group has 10 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
1	Environmental compliance	Green Engineering — Management of Solar Power Plant Management of Pollutants Management of Wastes
5	Use of energy	Green Industry Resource Conservation
8	Green energy projects	Green Industry
10	Ecological protection	Annual Emissions Reduction Contribution Management of Pollutants Management of Wastes
11	Responses to climate change	Responses to Climate Change
12	Prevention and treatment of environmental incidents	Responses to Climate Change
13	Employment compliance	Recruiting Talents Safeguarding the Rights and Interests of our Staff Safeguarding the Safety and Health of the Employees
17	Occupational health and safety	Safeguarding the Safety and Health of the Employees Investment in Talent Development
20	Operational compliance	Emphasising Business Ethics
24	Quality management	Green Engineering — Management of Solar Power Plant Supply Chain Management

GREEN FOOTPRINT — "COMMITTED TO DEVELOPING SOLAR POWER"

Milestones

2019

- 2 solar power plants of the Group have been registered in the second batch of the Photovoltaic Poverty Alleviation Subsidy Catalogue* (第二批光伏扶貧補助目錄)
- Annual total power generation volume exceeds 2.19 billion kWh

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》)

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

2016

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

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

1970

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

Green Industry

Facing rapid climate change and declining natural resources, we are committed to developing the renewable energy industry. 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. 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, clean energy industry and asset management, in an effort to build a green future. As of 31 December 2019, the Group owned 45 solar power plants in total with a total installed capacity of 1,629.3 MW, 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 2019, the total power generation of the project exceeded 405.98 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 0.34 million tonnes, 80 tonnes, 76 tonnes and 16 tonnes, respectively, in the Year.

Annual Emissions Reduction Contribution

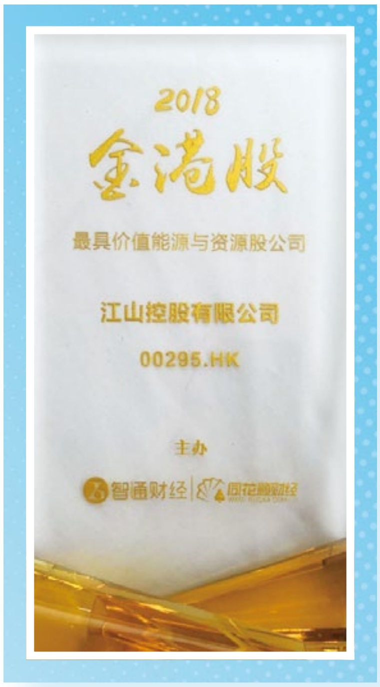
As at 31 December 2019, the total generation of solar power of the Group was 2,195,435 MWh (2018: 2,190,064 MWh), representing an approximate annual total power generation volume to the corresponding period last year. In comparison with coal-burning power plants in China, our solar power generation succeeded in reducing emissions of CO_2, SO_2, NO_x and dust of over 1.85 million tonnes, 439 tonnes, 417 tonnes and 88 tonnes, respectively (2018: 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).

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	294,397	247,588	59	56	12
Gansu	7	333,412	280,399	67	63	13
Shaanxi	8	835,558	702,704	167	159	33
Inner Mongolia	1	33,350	28,047	7	6	1
Shanxi	1	30,256	25,445	6	6	1
Hebei	4	142,808	120,102	29	27	6
Henan	2	139,610	117,412	28	27	6
Shandong	2	54,354	45,712	11	10	2
Anhui	5	163,883	137,826	33	31	7
Jiangsu	1	23,364	19,649	5	4	1
Zhejiang	1	83,255	70,017	17	16	3
Jiangxi	–	4,263	3,585	1	1	0
Hubei	1	30,448	25,607	6	6	1
Qinghai	1	26,477	22,267	5	5	1
Total	45	2,195,435	1,846,360	441	417	87

Annual Industry 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. In the "2018 Golden Hong Kong Stock Annual Awards Ceremony" co-organised by Zhitongcaijing (智通財經) and Tonghuashuncaijing (同花順財經) in January 2019, the Group was awarded as the 2018 Golden Hong Kong Stock Most Valuable Energy and Resources Corporation (2018金港股最具價值能源與資源股公司), fully recognising the Group's healthy corporate governance structure, superior industry status, outstanding main business achievement and ability to provide investors with sustainable and stable return.



GREEN BUSINESS — "CONTRIBUTING CLEAN ENERGY"

Green Engineering — Management of Solar Power Plant

The Group's leading position 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 continues to strictly abide 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 conservation and 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; and
- 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 require all departments to maintain efficient communication throughout the construction process, and to communicate and report regularly on construction progress, quality and safety issues;
- To carry out inspections on materials and engineering equipment with contractors, and to examine the progress in the course of construction to ensure the quality of construction and installation; and
- To take appropriate measures in a timely manner after assessing and recording the problems found during the inspection.

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; and
- 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, including but not limited to 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, to assume environmental and social responsibility, 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 selection, supervision, evaluation and management of suppliers.

We have 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. In our selection of suppliers and the entire cooperation process, we attach great importance to the performance of suppliers in terms of product quality, environmental protection and occupational safety and health. 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 site visits and 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 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, so as to increase the possibility of long-term cooperation. The Group supervises and evaluates the contract performance and operating performance of the engineering suppliers. 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 ensure that the confidential information of employees and partners is handled in a transparent, compliant and appropriate manner. 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 the third parties, 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 its 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 has also registered trademarks in China and Hong Kong. While protecting its own intellectual property, the Group 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 still place emphasis on business expansion and focus 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")", "fishery-photovoltaic complementary ("漁光互補")" and "tea-photovoltaic complementary ("茶光互補"), 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 "tea-photovoltaic complementary" solar power project in Shengzhou

The solar power project organised by Shengzhou Yihui Photovoltaic Power Ltd. (嵊州懿暉光伏發電有限公司) is a "tea-photovoltaic complementary ("茶光互補")" project, with an area of 580 acres and installed capacity of 19.8 MW, invested and constructed by the Group. The project is located in tea fields in Shengzhou City, Shaoxing, Zhejiang Province, and is the first "tea-photovoltaic complementary" power plant project in the province. Under the comprehensive development model of "tea-photovoltaic complementary", tea trees are planted in the gap between solar power panels, so as to improve land utilisation and integrate technology and traditional agriculture. During the Year, the total power generation of the project exceeded 20.6 GWh. The "tea-photovoltaic complementary" solar power plant in Shengzhou succeeded in reducing emissions of CO_2, SO_2, NO_x and dust of approximately 0.02 million tonnes, 4 tonnes, 4 tonnes and 1 tonnes, respectively, during the Year. The "tea-photovoltaic complementary" project in Shengzhou not only brings considerable environmental and economic benefits, but also promotes the sustainable development of the tea fields.

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	Water conservation	Paper 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 strengthen off-hours inspections, switch off unnecessary lighting, air conditioners and other energy consuming devices; • To install highly energy-efficient electronic equipment and consider its energy labels during the selection process of electricity equipment; and • To clean solar panels on a regular basis to enhance energy efficiency.	• 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 metres regularly and enhance equipment management to minimise or avoid leakages; and • To raise staff awareness of water conservation and strengthen the supervision and management of the water resources.	• 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 implement paperless meetings, adopt video conferencing and reduce printed materials for conferences; • To use electronic communication technologies for the release of announcements, reporting and internal communications; and • To use "paper from responsible sources" when printing annual and interim reports of the Group.

Through the implementation of the above measures, the Group successfully reduced the energy consumption intensity and water consumption intensity during the Year. Resources consumption of the Group during the Year is as follows:

Use of resources	2019	2018
Energy consumption		
Consumption of non-renewable fuel (MWh)	**1,688**	2,051
Consumption of purchased electricity (MWh)	**22,872**	17,550
Less: electricity sold (MWh)	**2,195,435**	2,190,064
Total direct and indirect energy consumption (MWh)	**(2,170,875)**	(2,170,463)
Direct and indirect energy consumption per MWh of electricity sold (MWh/MWh)	**(0.99)**	(0.99)
Water resources consumption		
Total water consumption[1] (cubic metre)	**28,867**	30,425
Water consumption per MWh of electricity sold (cubic metre/MWh)	**0.01**	0.01

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, mainly solar 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. In addition, we reduce the number of official vehicles as much as possible and gradually increase the use of electric vehicles to reduce air pollution and greenhouse gas emissions from motor vehicles. We also use induction cookers to replace the 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 waste ink cartridges and waste batteries while non-hazardous wastes are mainly domestic waste. Although the Group only generated minimal amount of hazardous waste during the Year, but in order to prevent hazardous wastes from causing serious pollution to the environment, it arranges 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 by the property management companies or local village committees. With a view to reducing wastes, we actively promote paperless office to reduce the amount of printing, thereby reducing the amount of waste paper and waste ink cartridges. 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	**2019**	2018
Total amount of non-hazardous wastes (tonnes)	**80**	64
Amount of non-hazardous wastes per MWh of electricity sold (kg/MWh)	**0.04**	0.03
Total amount of hazardous wastes (tonnes)	**0.08**	0.08
Amount of hazardous wastes per MWh of electricity sold (g/MWh)	**0.004**	0.04

Responses to Climate Change

In recent years, the increase in climate change has led to extreme weather events. In order to cope with various extreme weather conditions, the Group requires that power plants must conduct self-inspection over hidden dangers and prepare for extreme weather. The Group also allocates appropriate flood prevention materials for power plants and provides guidelines for implementing various preventive measures for wind, snow and fire damages to maintain normal operation of the power plants.

Global warming is one of the environmental issues of great concern across the world in recent years, and reducing greenhouse gas emissions has therefore become a common task for the world in the coming decades. The Group invests in solar power generation to replace traditional power generation, reducing greenhouse gas emissions and air pollutants caused by traditional thermal power generation. 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.

Through the implementation of the above measures, the Group successfully reduced the greenhouse gas emission intensity during the year. During the Year, the greenhouse gas emissions of the Group are as follows:

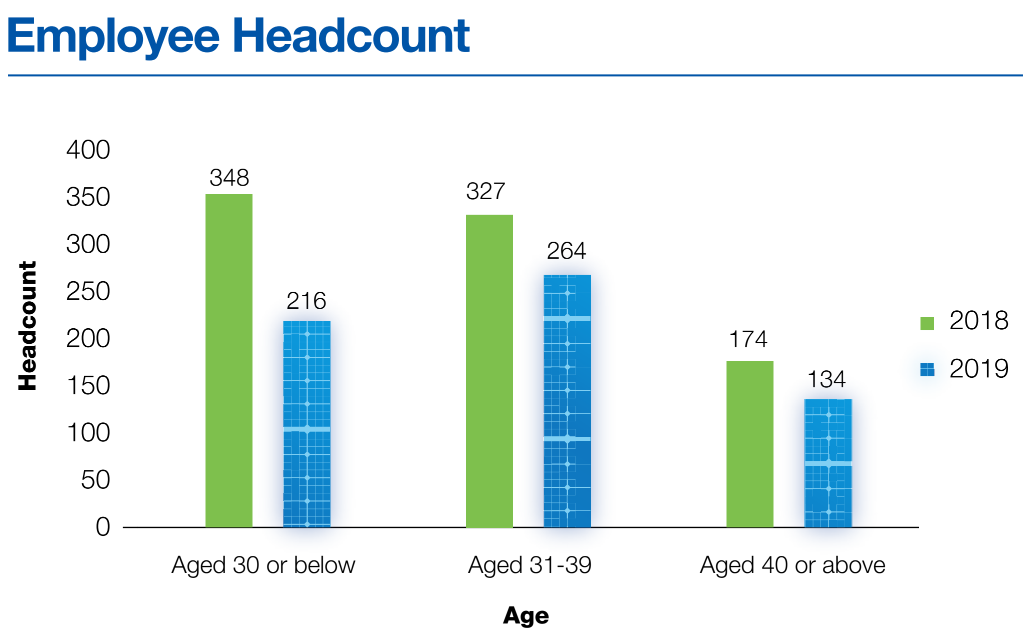
Greenhouse gas emissions	**2019**	2018
Scope 1: Direct emissions (tonnes CO_2e)	**496**	591
Scope 2: Energy indirect emissions (tonnes CO_2e)	**15,765**	16,896
Scope 3: Other indirect emissions (tonnes CO_2e)	**133**	63
Total amount of greenhouse gas emissions (tonnes CO_2e)	**16,394**	17,550
Amount of greenhouse gas emissions per MWh of electricity sold (kg CO_2e/MWh)	**7.47**	8.01

GREEN CARE — "CREATE A BETTER FUTURE"

Recruiting Talents

The Group recruits talents in a wide range and welcome talented and ambitious people to join it. 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 2019, the Group employed a total of 614 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 Insurances & 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 or cash gifts on traditional and special festivals, such as Chinese New Year, Labour Day, Women's Day and Children's Day;
- to organise a family open day;
- to organise seminars for employees;
- to hold birthday parties every quarter for employees;
- to organise activities, such as football, for department team building every month, taking care of employees in different ways;
- to organise company trips in Spring and Fall for employees;
- to organise sports day for employees; and
- to offer free annual body check.

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 relevant 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 large-scale safety inspections in spring and autumn 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; and
- 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; and
- 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; and
- To conduct regular firefighting trainings.

Accident prevention and treatment

- To develop comprehensive emergency plans for production safety accidents, including accident risk description, emergency organisation and responsibilities, early warning and information reporting, so that employees can have relevant knowledge and corresponding measures for possible safety accidents;
- To establish an emergency response team and formulate emergency plans for different accidents such as fire, electric shock and personal injury;
- To establish accident reporting, investigation and handling system to reduce the possibility of accidents;
- To issue flood prevention guidelines to ensure safety of its employees and safe operation of equipment; and
- To carry out emergency drill.

Promoting Personal 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. During the Year, the Group organised four types of training, namely internal training, external training, network training and cooperative training. 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. During the Year, the Group appointed external training institutions to provide employees with 5S (i.e. sort, set in order, shine, standardise and sustain), technical and management training, so that employees learn a variety of knowledge. The Group also arranged licence-based external training for employees in need in order to help them to obtain professional licences such as safety officer certificates and high voltage electrician certificates. 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 uses electronic communication software as a learning platform to provide online training for employees. During the Year, the Group also established a school-enterprise cooperation training platform with Yulin University, Kashi University, Jinlin Technology College of Electronic information and Ulanqab Vocational College and used the equipment of Yulin University as a support to the training, providing more comprehensive training for employees.

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

Training topics	Examples of training programmes
Leadership	Leadership and executive skills training
	Team management training
Occupational communication	Communication skills training
Coaching capability	Nurturing of training skills of internal mentors
Professional skills	Training on the principle of secondary circuits and relay protection
	Basic electrical knowledge training
Safety production	Power plant safety training
	Security awareness and self-prevention training
	Safety and accident prevention training

For the purpose of optimising our training system, trainees will complete an evaluation survey on the training effectiveness and make suggestions 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 practising licences relating to their positions, employees are entitled to study leave.

As at 31 December 2019, the proportions of senior management, middle-level management and general employees participating in the training were 40%, 86% and 67%, respectively.

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 2019, 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. All information announced by the Group on different platforms 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. The Group participated in a charitable donation activity named "5.19 Charity One Day Donation (5.19慈善一日捐)" in Yangzhou and donated RMB10,000. The Group also actively participates in welfare activities of community organisations, such as community garbage classification guidance and publicity work, and contributes to the society.

Mutual Development with the Community

By investing in and constructing the projects that are highlighted by the concept of "agricultural-photovoltaic complementary", "fishery-photovoltaic complementary" and "tea-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, based on the integrated development model of "tea-photovoltaic complementary", the Group planted tea trees in the gaps between solar power generation panels, improved land utilisation, applied technology in traditional agriculture to achieve a mutually beneficial and win-win situation for the solar power generation industry and agriculture and fishery.

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

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	59 to 61, 67 to 69
KPI A1.1	The types of emissions and respective emissions data.	Management of Pollutants	68
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	69
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	68 to 69
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	68 to 69
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Green Industry, Annual Emissions Reduction Contribution, Responses to Climate Change	59 to 61, 69
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Management of Wastes	68 to 69

Subject areas, aspects, general disclosures and KPIs description		Sections/Statements	Page(s)
Aspect A2: Use of resources			
General disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: resources may be applied to production, storage, transportation, buildings and electronic devices, etc.		Resource Conservation	67 to 68
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	67 to 68
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Resource Conservation	67 to 68
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Resource Conservation	67 to 68
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	67 to 68
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	59 to 61, 69
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	59 to 61, 69
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	70 to 71, 73

Subject areas, aspects, general disclosures and KPIs description		Sections/Statements	Page(s)
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Recruiting Talents	70
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Recruiting Talents	70
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	72
KPI B2.1	Number and rate of work-related fatalities.	No disclosure of relevant information has been made for the Year.	N/A
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	72
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	73 to 74
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle-level management).	Investment in Talent Development	73 to 74
KPI B3.2	The average training hours completed per employee by gender and employee category.	Investment in Talent Development	73 to 74
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	70

Subject areas, aspects, general disclosures and KPIs description		Sections/Statements	Page(s)
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Recruiting Talents	70
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 practises			
Aspect B5: Supply chain management			
General disclosure Policies on managing environmental and social risks of the supply chain.		Supply Chain Management	64 to 65
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	63 to 65, 75
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	65

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.	63 to 64
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Emphasising Business Ethics	65
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	75
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	75
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Creating a Community of Integrity	75
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	75 to 76
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	75 to 76
KPI B8.2	Resources contributed to the focus area (e.g. money or time).	Care for the Community	75

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 86 to 195, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

EMPHASIS OF MATTER

We draw attention to note 3.2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB698,721,000 during the year ended 31 December 2019 and in light of economy in 2020, the settlement of the Group's certain renewable energy subsidy receivables from the State Grid Companies of various provinces could be longer than the management's original expectation. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

KEY AUDIT MATTERS *(continued)*

Impairment assessment of goodwill and non-financial assets

(Refer to note 21 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 2019, the Group had goodwill and non-financial assets amounting to approximately RMB96,930,000 and RMB9,193,577,000 respectively relating to its cash generating units (the "CGUs") within the segment of solar power plants.

Management has performed impairment assessment on goodwill and non-financial assets in accordance with the Group's accounting policies and, other than an impairment loss of RMB43,735,000 on certain solar power plants under construction, concluded that there is no impairment in respect of goodwill and remaining 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 value-in-use calculations against independent industry data and comparable companies; and

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

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

(Refer to note 23 to the consolidated financial statements and the Group's accounting policies set out in note 4.11)

As at 31 December 2019, the Group had financial assets measured at fair value through other comprehensive income amounting to approximately RMB1,729,091,000. 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.

KEY AUDIT MATTERS *(continued)*

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;

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

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

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

— engaging external independent valuation specialist to assist us in evaluating and assessing the appropriateness of the valuation methodologies and the key assumptions used in the fair value calculations.

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.

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.

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018
Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	7	**2,079,704**	1,881,004
Cost of sales		**(981,965)**	(760,392)
Gross profit		**1,097,739**	1,120,612
Other gains and losses	8	**(72,457)**	57,516
Administrative expenses		**(366,869)**	(412,178)
Gain on bargain purchase on acquisitions of subsidiaries	45	**–**	2,504
(Loss)/gain on disposal/deregistration of subsidiaries, net	46	**(66,618)**	2,693
Impairment loss on a disposal group classified as held for sale	29	**(327,729)**	–
Impairment loss/write-off on solar power plants under construction	18	**(43,735)**	(16,103)
Loss on disposal of a joint venture		**(3,918)**	–
Gain on disposal of an associate	20	**–**	5,661
Finance costs	13	**(892,236)**	(745,545)
Share of profit of a joint venture	19	**12,308**	10,501
Share of loss of associates	20	**(21,928)**	(837)
(Loss)/profit before income tax	9	**(685,443)**	24,824
Income tax expense	14	**(13,278)**	(8,547)
(Loss)/profit for the year		**(698,721)**	16,277
(Loss)/profit for the year attributable to:			
Owners of the Company		**(698,629)**	15,415
Non-controlling interests	44	**(92)**	862
		(698,721)	16,277
(Loss)/earnings per share for the year attributable to owners of the Company	16		
— Basic (RMB cents)		**(4.67)**	0.10
— Diluted (RMB cents)		**(4.67)**	0.10

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
(Loss)/profit for the year		**(698,721)**	16,277
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		**(422,893)**	(71,452)
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of foreign operations		**(2,293)**	(1,732)
— Releases of exchange reserve upon disposal of subsidiaries		**431**	(19)
Other comprehensive income for the year, net of tax		**(424,755)**	(73,203)
Total comprehensive income for the year		**(1,123,476)**	(56,926)
Total comprehensive income attributable to:			
Owners of the Company		**(1,123,384)**	(57,788)
Non-controlling interests		**(92)**	862
		(1,123,476)	(56,926)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	At 31 December 2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**36,959**	33,034
Solar power plants	18	**8,747,485**	12,594,456
Interest in a joint venture	19	**–**	331,922
Interests in associates	20	**226,691**	13,290
Goodwill	21	**96,930**	149,197
Right-of-use assets	22	**409,133**	–
Lease prepayments	22	**–**	245,928
Financial assets measured at fair value through other comprehensive income	23	**1,729,091**	2,047,434
Deferred tax assets	34	**4,250**	2,360
		11,250,539	15,417,621
Current assets			
Financial assets measured at fair value through profit or loss	24	**28,198**	81,143
Inventories	25	**1,222**	3,058
Trade, bills and other receivables	26	**4,292,131**	4,646,076
Structured bank deposits	27	**4,230**	9,230
Cash and cash equivalents	28	**194,156**	256,310
		4,519,937	4,995,817
Assets of a disposal group classified as held for sale	29	**2,901,609**	6,678
Total current assets		**7,421,546**	5,002,495
Current liabilities			
Trade and other payables	30	**1,669,254**	1,903,547
Lease liabilities	38	**23,247**	–
Contract liabilities	31	**–**	8,038
Loans and borrowings	32	**1,370,428**	890,610
Corporate bonds	33	**8,063**	55,870
Tax payables		**5,278**	5,221
		3,076,270	2,863,286
Liabilities of a disposal group classified as held for sale	29	**1,333,322**	6,864
Total current liabilities		**4,409,592**	2,870,150
Net current assets		**3,011,954**	2,132,345
Total assets less current liabilities		**14,262,493**	17,549,966

	Notes	At 31 December 2019 RMB'000	 2018 RMB'000
Non-current liabilities			
Lease liabilities	38	**191,083**	–
Loans and borrowings	32	**8,299,649**	10,726,625
Corporate bonds	33	**278,462**	219,513
		8,769,194	10,946,138
NET ASSETS		**5,493,299**	6,603,828
CAPITAL AND RESERVES			
Share capital	35	**6,486,588**	6,486,588
Reserves	36	**(1,075,767)**	34,670
Equity attributable to the owners of the Company		**5,410,821**	6,521,258
Non-controlling interests	44	**82,478**	82,570
TOTAL EQUITY		**5,493,299**	6,603,828

On behalf of the directors

Jin Yanbing
Chairman and Executive Director

Deng Chengli
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to owners of the Company								
	Share capital RMB000 (note 35)	PRC statutory reserves RMB'000 (note 36(i))	Exchange reserve RMB'000 (note 36(ii))	Fair value through other comprehensive income reserve RMB'000 (note 36(iii))	Equity-settled share-based payment reserve RMB'000 (note 36(iv))	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000 (note 44)	Total equity RMB'000
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 subsidiaries (note 45(a))	–	–	–	–	–	–	–	51,473	51,473
Balance at 31 December 2018 and 1 January 2019	**6,486,588**	**130,538**	**(48,703)**	**(36,448)**	**130,020**	**(140,737)**	**6,521,258**	**82,570**	**6,603,828**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(698,629)**	**(698,629)**	**(92)**	**(698,721)**
Other comprehensive income, net of tax	**-**	**-**	**(1,862)**	**(422,893)**	**-**	**-**	**(424,755)**	**-**	**(424,755)**
Total comprehensive income, net of tax	**-**	**-**	**(1,862)**	**(422,893)**	**-**	**(698,629)**	**(1,123,384)**	**(92)**	**(1,123,476)**
Equity-settled share-based transactions (note 10)	**-**	**-**	**-**	**-**	**12,947**	**-**	**12,947**	**-**	**12,947**
Lapse of share options	**-**	**-**	**-**	**-**	**(92,463)**	**92,463**	**-**	**-**	**-**
Appropriations to PRC statutory reserves	**-**	**38,522**	**-**	**-**	**-**	**(38,522)**	**-**	**-**	**-**
Disposal of subsidiaries	**-**	**(14,922)**	**-**	**-**	**-**	**14,922**	**-**	**-**	**-**
Balance at 31 December 2019	**6,486,588**	**154,138**	**(50,565)**	**(459,341)**	**50,504**	**(770,503)**	**5,410,821**	**82,478**	**5,493,299**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(685,443)**	24,824
Adjustments for:			
Depreciation of property, plant and equipment	17	**10,820**	8,788
Depreciation of solar power plants	18	**504,705**	492,452
Amortisation of right-of-use assets	22	**30,371**	–
Amortisation of lease prepayments	22	**–**	26,587
Equity-settled share-based payment expenses	10	**12,947**	33,850
Foreign exchange losses/(gain), net		**6,480**	(2,826)
Gain on bargain purchase on acquisition of subsidiaries	45	**–**	(2,504)
Loss/(gain) on disposal/deregistration of subsidiaries, net	46	**66,618**	(2,693)
Gain on disposal of an associate	20	**–**	(5,661)
Loss on disposal of a joint venture		**3,918**	–
Write-off/loss on disposal of property, plant and equipment, net	8	**5**	471
Impairment loss/write-off on solar power plants under construction	18	**43,735**	16,103
Net unrealised loss/(gain) on fair value changes of financial assets measured at fair value through profit or loss	8	**9,239**	(5,864)
Net realised loss on disposals of financial assets measured at fair value through profit or loss	8	**1,553**	53,613
Share of profit of a joint venture	19	**(12,308)**	(10,501)
Share of loss of associates	20	**21,928**	837
Interest expense	13	**892,236**	745,545
Interest income	8	**(854)**	(9,555)
Dividend income	8	**(10,970)**	(23,492)
Recognition/(reversal) of impairment loss recognised in respect of trade and other receivables, net	8	**77,113**	(963)
Impairment loss on disposal group classified as held for sale	29	**327,729**	–
Write-back of other payables	8	**(1,112)**	(9,421)
Operating profit before working capital changes		**1,298,710**	1,329,590
Decrease in inventories, net		**1,815**	1,823
Increase in trade, bills and other receivables		**(907,776)**	(913,806)
Increase in trade and other payables		**245,751**	365,766
Cash generated from operations		**638,500**	783,373
Tax paid		**(11,415)**	(7,656)
Net cash generated from operating activities		**627,085**	775,717

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		**(19,333)**	(7,192)
Dividend income received		**10,970**	23,492
Payments for construction cost in respect of solar power plants		**(215,090)**	(2,396,889)
Payments for purchase of financial assets measured at fair value through other comprehensive income		**(104,550)**	(561,070)
Receipt from disposal of financial assets measured at fair value through profit or loss	24	**43,034**	75,062
Receipt from disposal of financial assets measured at fair value through other comprehensive income	23	**–**	47,000
Payments for right-of-use assets		**(46,176)**	–
Payments for purchase of lease prepayments		**–**	(16,274)
Interest received		**854**	9,555
Proceeds from disposal of a joint venture	19	**105,000**	–
Proceeds from disposal of subsidiaries, net of cash disposed	46	**211,594**	71,840
Proceeds from disposal of associates	20	**–**	22,000
Decrease/(increase) in structured bank deposits, net		**5,000**	(9,230)
(Payments for)/receipt from acquisition of subsidiaries, net of cash acquired	45	**(1,765)**	22,896
Payments for acquisition of associates, net of cash acquired	20	**–**	(13,431)
Payments for acquisition of additional interest in subsidiaries		**–**	(8,485)
Net cash used in investing activities		**(10,462)**	(2,740,726)
Cash flows from financing activities			
Capital element of finance lease rentals paid		**–**	(220)
Proceeds from new loans and borrowings		**750,000**	3,319,000
Repayment of loans and borrowings		**(807,824)**	(792,180)
Interest paid		**(555,857)**	(615,837)
Net proceeds from issuance of corporate bonds	33	**50,860**	225,820
Repayment of corporate bonds	33	**(56,794)**	(371,071)
Net cash (used in)/generated from financing activities		**(619,615)**	1,765,512
Net decrease in cash and cash equivalents		**(2,992)**	(199,497)
Cash and cash equivalent at the beginning of the year		**256,645**	445,638
Effect of foreign exchange rate changes		**103**	10,504
Cash and cash equivalents at the end of the year		**253,756**	256,645
Cash and cash equivalents as at 31 December, represented by:			
Bank balances and cash	28	**194,156**	256,310
Bank balances and cash included in assets classified as held for sale	29	**59,600**	335
		253,756	256,645

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 803-4, 8/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 operations and maintenance services, provision of financial services, trading of liquefied natural gas and assets management.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2019 *(continued)*

Adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

New definition of leases

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, for all leases (irrespective of they are operating leases or finance leases and except for short-term leases and leases of low-value assets), the Group is required to: (a) recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments; (b) recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income; and (c) separately present the total amount of cash paid into a principal portion and interest within financing activities and investing activities in the consolidated statement of cash flows. Under HKFRS 16, right-of-use assets are tested for impairment in accordance with HKAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2019 *(continued)*

Adoption of HKFRS 16 (continued)

Transitions

The Group has applied HKFRS 16 using the modified retrospective approach with a date of initial application of 1 January 2019, under which the cumulative effect of initial application is recognised as at 1 January 2019. As a result, the comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019.

The Group has elected to recognise all the right-of-use assets as at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. Leasehold land and land use rights are reclassified and recognised as right-of-use assets under HKFRS 16. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets as at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

Impact to the consolidated financial statements

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognised in the opening balances on 1 January 2019.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2019 *(continued)*

Adoption of HKFRS 16 (continued)

Impact to the consolidated financial statements *(continued)*

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	1 January 2019 RMB'000
Increase in right-of-use assets	**520,569**
Decrease in leasehold land and land use rights	**(245,928)**
Increase in lease liabilities (current portion)	**13,192**
Increase in lease liabilities (non-current portion)	**261,449**

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	RMB'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	245,356
Add: leases included in extension option which the Group considers reasonably certain to exercise	220,353
	465,709
Discounting effect	(191,068)
Total lease liabilities as of 1 January 2019	274,641

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 6.73%.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2019 *(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 HKAS 19 — Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments 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

The amendment clarifies 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 2015–2018 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 2015–2018 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.

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

2.1 Adoption of new/amended HKFRSs — effective 1 January 2019 *(continued)*

Annual Improvements to HKFRSs 2015–2018 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.

Annual Improvements to HKFRSs 2015–2018 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.

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

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

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

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

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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)*

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

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

The Group 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 86 to 195 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 financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("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/amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

3. BASIS OF PREPARATION *(continued)*

3.2 Basis of measurement *(continued)*

In preparing the financial statements, the Directors considered the operations of the Group as a going concern notwithstanding that the Group incurred a net loss of approximately RMB698,721,000 (2018: net profit of RMB16,277,000) during the year ended 31 December 2019 and in light of economy in 2020, the settlement of the Group's certain renewable energy subsidy receivables from the State Grid Companies of various provinces could be longer than the management's original expectation. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2019, after taking into consideration of the followings:

1. the Group continues to implement measures to tighten cost controls over various operating expenses in order to improve its cash flows from its operations;

2. the Group is actively negotiating with the lenders to seek for renewal of the outstanding borrowings. Subsequent to reporting date, the Group successfully obtained written confirmation from certain of the Group's major lenders, which confirmed to extend certain borrowings of the Group, in aggregate of RMB520,000,000, for one year upon the maturity of these borrowings;

3. the Group is actively exploring the availability of alternative source of financing (including but not limited to realisation of the Group's solar power plants); and

4. Pohua JT Private Equity Fund L.P., the ultimate holding company of the Company, has agreed to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a going concern in case when future financial difficulties to be experienced by the Group.

The Directors of the Company believe that the aforementioned financing and operational measures will be successful, based on the continuous efforts and commitment of the management.

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. BASIS OF PREPARATION (continued)

3.3 Functional and presentation currency

Since the Company conducts its primary business operations through its subsidiaries established in the People's Republic of China (the "PRC") and Renminbi ("RMB") is the currency that mainly influences the sales prices of goods and services and the costs of providing those goods and services of the Company's significant subsidiaries, the Company adopts RMB as its functional currency. All financial information presented in RMB has been rounded to the nearest 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.

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

4.1 Basis of consolidation *(continued)*

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.

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

4.4 Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

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

4.4 Joint arrangements *(continued)*

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

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

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

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

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

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

4.5 Goodwill

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

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

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Accounting policies for impairment on goodwill are set out in note 4.9 in details .

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

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.

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

4.7 Property, plant and equipment *(continued)*

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, right-of-use assets and goodwill are subject for impairment testing.

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

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

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

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

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

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

4.10 Leases

Accounting policies applied from 1 January 2019

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group also has leased a number of properties under tenancy agreements and the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

4.10 Leases *(continued)*

Accounting policies applied from 1 January 2019 (continued)

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis 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 the straight-line basis over the lease term.

Accounting policies applied prior to 1 January 2019

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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis 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 the straight-line basis over the lease term.

The Group as lessee

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. The 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.

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

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

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

4.11 Financial instruments

(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: Financial assets at fair value through profit or loss 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 *(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 *(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 *(continued)*

(vi) Equity instruments

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

(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 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.

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

4.13 Revenue recognition

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.

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) *Sales of liquefied natural gas*
Revenue from 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.

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

4.13 Revenue recognition *(continued)*

(iii) Operation and maintenance services

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

(iv) Other income

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 terms 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.

4.14 Foreign currency

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the reporting date. Income and expenses have been converted into 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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

4.16 Income taxes *(continued)*

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

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

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

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

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

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

   (i) the same taxable entity; or

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

4.17 Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

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

4.18 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.19 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.

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

4.21 Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

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

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

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

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

4.22 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	:	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 payables attributable to the individual segments and loans and borrowings managed directly by the segments.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 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, respectively, commencing from the date on which the assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets.

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

(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 4.11(ii) 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 21.

(iv) Impairment of non-financial assets

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

(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 2019 and 2018 is set out below.

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customer within the scope of HKFRS 15:		
Sales of electricity	**1,693,916**	1,734,187
Provision of solar power plant operation and maintenance services	**20,070**	1,943
Trading of liquefied natural gas	**326,333**	131,659
Others	**–**	316
	2,040,319	1,868,105
Revenue from other sources		
Interest income from provision of financial services	**39,385**	12,891
Others	**–**	8
	39,385	12,899
Total revenue	**2,079,704**	1,881,004

6. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Year ended 31 December 2019				
	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	1,713,986	39,385	326,333	–	2,079,704
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	1,713,986	39,385	326,333	–	2,079,704
Reportable segment profit/(loss) (adjusted EBITDA)	1,410,849	18,543	(2,094)	(1,190)	1,426,108
Other interest income	430	1	–	351	782
Interest expense	792,633	13,058	59	137	805,887
Depreciation and amortisation for the year	538,667	2,331	48	539	541,585
Reportable segment assets	15,522,162	327,418	9,674	–	15,859,254
Additions to non-current assets during the year	103,209	3,809	4	–	107,022
Reportable segment liabilities	12,212,138	15,546	3,230	–	12,230,914
Primary geographical markets of revenue					
PRC	1,713,986	39,385	326,333	–	2,079,704
Time of revenue recognition					
At a point of time	–	–	326,333	–	326,333
Transferred over time	1,713,986	39,385	–	–	1,753,371
	1,713,986	39,385	326,333	–	2,079,704

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
Time of revenue recognition					
At a point of 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)*

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

	2019 RMB'000	2018 RMB'000
Revenue		
Reportable segment revenue	**2,079,704**	1,881,004
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**2,079,704**	1,881,004
Profit		
Reportable segment profit	**1,426,108**	1,567,357
Other gains and losses	**13,397**	70,837
Net realised loss on disposal of financial assets measured at fair value through profit or loss	**(1,553)**	(53,613)
Net unrealised (loss)/gain on fair value charges on financial assets measured at fair value through profit or loss	**(9,239)**	5,864
(Recognition)/reversal of impairment loss in respect of trade and other receivables, net	**(49,787)**	963
Impairment loss on a disposal group classified as held for sale	**(327,729)**	–
Impairment loss/write-off on solar power plants under construction	**(43,735)**	(16,103)
Depreciation and amortisation	**(545,896)**	(527,827)
(Loss)/gain on disposal/deregistration of subsidiaries, net	**(66,618)**	2,693
Loss on disposal of a joint venture	**(3,918)**	–
Gain on disposal of an associate	**–**	5,661
Share of profit of a joint venture	**12,308**	10,501
Share of loss of associates	**(21,928)**	(837)
Finance costs	**(892,236)**	(745,545)
Equity-settled share-based payment expenses	**(12,947)**	(33,850)
Gain on bargain purchase on acquisition of subsidiaries	**–**	2,504
Unallocated corporate expenses	**(161,670)**	(263,781)
Consolidated (loss)/profit before income tax expense	**(685,443)**	24,824
Assets		
Reportable segment assets	**15,859,254**	17,388,900
Interest in associates	**226,691**	13,290
Financial assets measured at fair value through other comprehensive income	**1,729,091**	2,047,434
Financial assets measured at fair value through profit or loss	**28,198**	81,143
Structured bank deposits	**4,230**	9,230
Interest in a joint venture	**–**	331,922
Deferred tax assets	**4,250**	2,360
Unallocated corporate assets	**820,371**	545,837
Consolidated total assets	**18,672,085**	20,420,116
Liabilities		
Reportable segment liabilities	**12,230,914**	12,795,549
Corporate bonds	**286,525**	275,383
Unallocated corporate liabilities	**661,347**	745,356
Consolidated total liabilities	**13,178,786**	13,816,288

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:

	2019 **RMB'000**	2018 RMB'000
Sales of electricity	**1,693,916**	1,734,187
Provision of solar power plant operation and maintenance services	**20,070**	1,943
Interest income from provision of financial services	**39,385**	12,891
Trading of liquefied natural gas	**326,333**	131,659
Revenue from other segments	**–**	324
Consolidated revenue	**2,079,704**	1,881,004

During the year ended 31 December 2019, sales of electricity includes renewable energy subsidies amounted to approximately RMB1,107,980,000 (2018: RMB1,159,188,000)

For the years ended 31 December 2019 and 2018, the major customers contributed over 10% of the total revenue of the Group are set out below:

	2019 **RMB'000**	2018 RMB'000
Customer A	**550,891**	511,920
Customer B	**239,704**	149,336
Customer C	**226,313**	221,925

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

	2019 **RMB'000**	2018 RMB'000
Trade receivables	**2,730,784**	2,281,452
Contract liabilities (note 31)	**–**	8,038

8. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Interest income	**854**	9,555
Dividend income	**10,970**	23,492
Net realised loss on disposals of financial assets measured at fair value through profit or loss (note 24)	**(1,553)**	(53,613)
Net unrealised (loss)/gain on fair values changes on financial assets measured at fair value through profit or loss	**(9,239)**	5,864
Net foreign exchange (loss)/gain	**(4,045)**	2,248
Write-off/loss on disposal of property, plant and equipment	**(5)**	(471)
(Recognition)/reversal of impairment loss in respect of trade and other receivables, net (note 26)	**(77,113)**	963
Write-back of other payables	**1,112**	9,421
Government allowance (note)	**1,155**	3,991
Refund of value added tax	**4,227**	–
Service fee income	**633**	11,127
Compensation income	**–**	5,426
Office sublease income	**–**	33,782
Others	**547**	5,731
	(72,457)	57,516

Note: The government grants consists of subsidies given by the PRC government to certain subsidiaries of the Group in the PRC for operating cost and enterprises development. The amounts do not have specific conditions attached to the incentives and other income is recognised upon receipt.

9. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2019 RMB'000	2018 RMB'000
Auditor's remuneration		
— Audit services	**3,962**	4,221
— Non-audit services	**1,072**	500
Amortisation of right-of-use-assets (note 22)	**30,371**	–
Amortisation of lease prepayments (note 22)	**–**	26,587
Cost of inventories	**325,275**	119,040
Depreciation		
— Property, plant and equipment (note 17)	**10,820**	8,788
— Solar power plants (note 18)	**504,705**	492,452
Short-term leases expenses	**8,306**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	52,351

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 **RMB'000**	2018 RMB'000
Salaries, wages and other benefits	**147,822**	182,267
Contributions to defined contribution retirement plan (note 41)	**24,828**	37,659
Equity-settled share-based payment expenses (note 42)	**12,947**	33,850
Total employee benefit expenses (including directors' emoluments)	**185,597**	253,776

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 2019						
Chairman and executive director						
Jin Yanbing[1]	1,004	980	–	71	451	2,506
Executive directors						
Deng Chengli	241	2,098	–	69	611	3,019
Zeng Jianhua[2]	–	6,944	–	16	1,319	8,279
Hou Yue[2]	61	1,528	–	51	336	1,976
Non-executive director						
Wu Tak Kong	211	–	–	–	–	211
Wang Ke	211	–	–	–	–	211
Jiang Hengwen[3]	74	–	–	–	–	74
Independent non-executive directors						
Miu Hon Kit	198	–	–	–	29	227
Wang Fang	142	–	–	–	29	171
Chen Kin Shing	211	–	–	–	29	240
Wu Wennan[3]	74	–	–	–	–	74
	2,427	11,550	–	207	2,804	16,988

11. DIRECTORS' REMUNERATION *(continued)*

	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[2]	–	5,948	2,506	4	3,776	12,234
Executive directors						
Hou Yue[2]	241	1,423	1,566	–	950	4,180
Deng Chengli	241	1,122	2,506	–	1,518	5,387
Jin Yanbing[1]	230	1,050	2,819	4	849	4,952
Non-executive director						
Wu Tak Kong	203	–	–	–	–	203
Wang Ke	203	–	–	–	–	203
Independent non-executive directors						
Miu Hon Kit	182	–	–	–	72	254
Wang Fang	101	–	–	–	54	155
Chen Kin Shing	203	–	–	–	54	257
	1,604	9,543	9,397	8	7,273	27,825

1 appointed as Chairman on 26 August 2019
2 resigned on 26 August 2019
3 appointed as non-executive director on 26 August 2019

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 4.19.

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

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two of them (2018: three) were directors of the Company whose emoluments are included in note 11. The emoluments of the remaining three (2018: two) individuals are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**6,549**	4,391
Bonuses	**–**	5,534
Contributions to defined contribution retirement plan	**166**	15
Equity-settled share-based payment expenses	**3,897**	8,099
	10,612	18,039

The emoluments of the above three (2018: two) highest paid individuals fell within the following bands:

Emolument band	**Number of individuals** **2019**	2018
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	**1**	–
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**2**	–
HK$5,000,001 to HK$10,000,000	**–**	1
HK$10,000,001 to HK$15,000,000	**–**	1

During the years ended 31 December 2019 and 2018, no emoluments were paid to any of the Company's directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2019 and 2018.

13. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on loans and borrowings	**850,196**	732,198
Imputed interest on corporate bonds (note 33)	**27,308**	37,318
Interest on lease liabilities (note 38)	**16,818**	–
Finance charges on obligations under finance leases	**–**	5
Total interest expense on financial liabilities that are not measured at fair value through profit or loss	**894,322**	769,521
Less: interest expense capitalised into solar power plants under construction* (note 18)	**(2,086)**	(23,976)
	892,236	745,545

* For the year ended 31 December 2019, borrowing cost has been capitalised at a rate of approximately 6.60% (2018: 7.41%) per annum.

14. INCOME TAX EXPENSE

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

	2019 RMB'000	2018 RMB'000
Current tax		
— PRC Corporate Income Tax	**15,168**	10,104
— Under-provision in prior years	**–**	803
	15,168	10,907
Deferred tax assets (note 34)	**(1,890)**	(2,360)
	13,278	8,547

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 2019 and 2018.

The Group's PRC entities are subject to corporate income tax at the statutory rate of 25% (2018: 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 (loss)/profit at applicable tax rates:

	2019 **RMB'000**	2018 RMB'000
(Loss)/profit before income tax	**(685,443)**	24,824
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(161,936)**	14,643
Tax effect of non-deductible expenses	**198,963**	5,049
Tax effect of non-taxable income	**(6,618)**	(5,524)
Tax effect of PRC preferential tax treatment	**(122,877)**	(75,834)
Tax effect of tax loss not recognised	**107,636**	71,771
Under-provision in prior years	**–**	803
Tax effect of temporary differences	**(1,890)**	(2,361)
Income tax expense	**13,278**	8,547

15. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2019			2018		
	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 to profit or loss:						
Fair value changes in financial assets measured at fair value through other comprehensive income, net (note 23)	**(422,893)**	**–**	**(422,893)**	(71,452)	–	(71,452)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations	**(2,293)**	**–**	**(2,293)**	(1,732)	–	(1,732)
Release of exchange reserve upon disposal of subsidiaries (note 46)	**431**	**–**	**431**	(19)	–	(19)
	(424,755)	**–**	**(424,755)**	(73,203)	–	(73,203)

16. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR

(a) Basic (loss)/earnings per share

The calculation of basic loss (2018: earnings) per share for the year ended 31 December 2019 is based on loss attributable to owners of the Company for the year of approximately RMB698,629,000 (2018: profit of RMB15,415,000) and approximately 14,964,442,000 (2018: 14,964,442,000) ordinary shares in issue during the years ended 31 December 2019 and 2018.

(b) Diluted (loss)/earnings per share

The calculation of diluted loss (2018: earnings) per share for the year ended 31 December 2019 is based on loss attributable to owners of the Company for the year of approximately RMB698,629,000 (2018: profit of RMB15,415,000) and on the weighted average number of approximately 14,964,442,000 (2018: 14,964,442,000) 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	
	2019	2018
	'000	'000
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	**–**	–
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	**14,964,442**	14,964,442

Diluted loss (2018: earnings) per share for the year ended 31 December 2019 was the same as basic loss (2018: 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 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 45)	–	–	98	52	150
Disposal of subsidiaries (note 46(b))	(14)	–	(317)	(26)	(357)
Transferred to assets of disposal group classified as held for sale (note 29)	(8,236)	(6,475)	(725)	(79)	(15,515)
Write-off	–	–	–	(620)	(620)
Exchange realignment	284	175	7	344	810
At 31 December 2018 and 1 January 2019	12,885	1,959	10,894	25,894	51,632
Additions	11,767	2,735	975	3,856	19,333
Disposal of subsidiaries (note 46(a))	(3,502)	–	(1,029)	(324)	(4,855)
Transferred to assets of disposal group classified as held for sale (note 29)	–	–	(1,368)	(2,093)	(3,461)
Write-off	(1,077)	–	–	(140)	(1,217)
Exchange realignments	138	–	6	3	147
At 31 December 2019	20,211	4,694	9,478	27,196	61,579
Accumulated Depreciation					
At 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
Write-off	–	–	–	(149)	(149)
Disposal of subsidiaries (note 46(b))	(5)	–	(196)	(3)	(204)
Transferred to assets of disposal group classified as held for sale (note 29)	(6,420)	(6,301)	(283)	(61)	(13,065)
Exchange realignments	114	102	5	609	830
At 31 December 2018 and 1 January 2019	2,790	566	4,945	10,297	18,598
Charged for the year (note 9)	3,911	283	2,192	4,434	10,820
Write-off	(1,077)	–	–	(135)	(1,212)
Disposal of subsidiaries (note 46(a))	(1,530)	–	(692)	(118)	(2,340)
Transferred to assets of disposal group classified as held for sale (note 29)	–	–	(796)	(515)	(1,311)
Exchange realignments	57	–	6	2	65
At 31 December 2019	4,151	849	5,655	13,965	24,620
Net carrying amount					
At 31 December 2018	10,095	1,393	5,949	15,597	33,034
At 31 December 2019	16,060	3,845	3,823	13,231	36,959

18. SOLAR POWER PLANTS

	Solar power plants RMB'000	Solar power plants under construction RMB'000	Total RMB'000
Cost			
At 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
Reclassifications upon completion	1,296,731	(1,296,731)	–
Disposal of a subsidiary (note 46(b))	(314,354)	(64,155)	(378,509)
Write-off (note 8)	–	(16,103)	(16,103)
At 31 December 2018 and 1 January 2019	13,282,041	433,798	13,715,839
Additions	4,182	63,625	67,807
Interest expense capitalised in solar power plants under construction (note 13)	–	2,086	2,086
Reclassifications upon completion	334,504	(334,504)	–
Disposal of subsidiaries (note 46(a))	(1,263,844)	–	(1,263,844)
Transferred to assets of disposal group classified as held for sale (note 29)	(2,723,794)	–	(2,723,794)
Impairment on solar power plants	–	(43,735)	(43,735)
At 31 December 2019	9,633,089	121,270	9,754,359
Accumulated depreciation			
At 1 January 2018	657,247	–	657,247
Charged for the year (note 9)	492,452	–	492,452
Disposal of a subsidiary (note 46(b))	(28,316)	–	(28,316)
At 31 December 2018 and 1 January 2019	1,121,383	–	1,121,383
Charged for the year (note 9)	504,705	–	504,705
Disposal of subsidiaries (note 46(a))	(155,554)	–	(155,554)
Transferred to assets of disposal group classified as held for sale (note 29)	(463,660)	–	(463,660)
At 31 December 2019	1,006,874	–	1,006,874
Net carrying amount			
At 31 December 2018	12,160,658	433,798	12,594,456
At 31 December 2019	8,626,215	121,270	8,747,485

18. SOLAR POWER PLANTS *(continued)*

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.

Management has performed impairment testing on certain solar power plants under construction. The recoverable amount of these solar power plants under construction was determined by using their respective value-in-use calculation, which are derived from the discounted cash flow method. The discounted cash flow method uses the financial budgets approved by management covering the estimated useful lives of respective solar power plant under construction and applies discount rates of 9.70% to 11.98% (2018: 10.22% to 11.85%), which are pre-tax and reflect specific risks relating to the solar power plants. As a result of the impairment testing, an impairment loss of RMB43,735,000 (2018: RMB16,103,000) on certain solar power plants under construction was recognised during the year ended 31 December 2019. The impairment loss was primarily arising from a solar power plant under construction and the required time to obtain its grid-connection approval from the relevant government authority was longer than expected, resulting in delay in commissioning of such solar power plant.

As at 31 December 2019, certain solar power plants with carrying amount of approximately RMB1,577,932,000 (2018: RMB1,642,812,000) 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 2019, certain solar power plants with carrying amount of approximately RMB6,413,341,000 (2018: RMB8,027,467,000) were pledged as securities for the Group's loans and borrowings (note 32).

19. INTEREST IN A JOINT VENTURE

	2019 **RMB'000**	2018 RMB'000
At the beginning of the year	**331,922**	321,421
Share of profit for the year	**12,308**	10,501
Disposal	**(108,918)**	–
Exchange realignment	**17**	–
	235,329	331,922
Transfer to interest in associates (note 20)	**(235,329)**	–
At the end of the year	**–**	331,922

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

As at 31 December 2019 and 2018, particulars of the joint venture were as follows:

Name of joint venture	Form of business structure	Country of incorporation and principal place of operation	Percentage of ownership interest/ voting rights	Principal activity
江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*) ("Kong Sun Baoyuan")	Incorporated	PRC	N/A (note (i)) (2018: 55%) (note (ii))	Finance leases and factoring businesses

(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) 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 year ended 31 December 2018.

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 unaudited management accounts for the years ended 31 December 2018:

	2018 RMB'000
Non-current assets	361,789
Current assets (including cash and cash equivalents of approximately RMB58,656,000)	432,426
Non-current liabilities	(80,921)
Current liabilities	(109,800)
Revenue	57,247
Profit and total comprehensive income for the year	19,092
Depreciation	(109)
Interest income	551
Income tax expense	(5,697)

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
Equity attributable to the owners of Kong Sun Baoyuan	603,494
Proportion of the Group's ownership interests	55%
Carrying amounts of the Group's investment in Kong Sun Baoyuan	331,922

20. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
At beginning of the year	**13,290**	17,035
Acquisitions of associates (note (a))	**–**	13,431
Transfer from interest in a joint venture (note 19)	**235,329**	–
Share of loss for the year	**(21,928)**	(837)
Disposals (note (b))	**–**	(16,339)
At end of the year	**226,691**	13,290

Particulars of the associate as at 31 December 2019 and 2018 are as follows:

Name	**Place of incorporation and principal place of operation**	**Percentage of ownership interest/ voting rights**	**Principal activity**
通服商業保理有限責任公司 (Tongfu Commercial Factoring Co., Ltd.*) ("Tongfu")	PRC	10% (2018: 10%)	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% (2018: 10%)	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% (2018: 36.79%)	Solar power generation and development
江山寶源國際融資租賃有限公司 Kong Sun Baoyuan	PRC	37.6% (2018: N/A)	Finance leases and factoring businesses

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 2019 and 2018 respectively.

20. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of the material associate, adjusted for any difference in accounting policies:

Kong Sun Baoyuan

	2019 RMB'000
Non-current assets	**392,269**
Current assets (including cash and cash equivalents of approximately RMB58,656,000)	**209,759**
Non-current liabilities	**–**
Current liabilities	**(33,724)**

	From 1 July 2019 to 31 December 2019 RMB'000
Revenue	**19,799**
Loss and total comprehensive income for the period	**(57,568)**
Depreciation	**(17)**
Interest income	**212**
Income tax credit	**13,610**

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

	2019 RMB'000
Equity attributable to the owners of Kong Sun Baoyuan	**568,304**
Proportion of the Group's ownership interests	**37.6%**
Carrying amounts of the Group's investment in Kong Sun Baoyuan	**213,683**

20. INTERESTS IN ASSOCIATES *(continued)*

Kong Sun Baoyuan *(continued)*

Set out below are the summarised financial information of immaterial associates, extracted from their unaudited management accounts for the years ended 31 December 2019 and 2018:

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial associates	**117,241**	120,224
Loss and total comprehensive income for the year	**(3,203)**	(3,285)

(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 disposed all of its 34% equity interest in 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") 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 of the Company.

(c) As at 31 December 2019, the Group executes guarantees with respect to loans of approximately RMB44,621,000 (2018: RMB92,873,000) 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.

21. GOODWILL

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**149,197**	148,451
Acquired through business combinations (note 45(a))	**–**	746
Transferred to assets of disposal group classified as held for sale (note 29)	**(52,221)**	–
Disposal of subsidiaries (note 46(a))	**(46)**	–
At the end of the year	**96,930**	149,197

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.

21. GOODWILL *(continued)*

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 5% (2018: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGUs operate. The cash flows are discounted using discount rates of 9.52% (2018: 8.81% to 18.07%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

22. RIGHT-OF-USE ASSETS/LEASE PREPAYMENTS

	Land use rights	**Lease prepayments**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2018			
Cost	40,017	250,142	290,159
Accumulated depreciation	(3,642)	(29,279)	(32,921)
Net carrying amount	36,375	220,863	257,238
Year ended 31 December 2018			
Opening net carrying amount	36,375	220,863	257,238
Additions	1,290	14,984	16,274
Amortisation	(1,998)	(24,589)	(26,587)
Disposal of a subsidiary (note 46(b))	–	(997)	(997)
Closing net carrying amount	35,667	210,261	245,928
At 31 December 2018 and 1 January 2019			
Cost	41,307	263,505	304,812
Accumulated depreciation	(5,640)	(53,244)	(58,884)
Net carrying amount, as originally presented	35,667	210,261	245,928
Initial application of HKFRS 16 (note 2.1)	(35,667)	(210,261)	(245,928)
Net carrying amount, as restated	–	–	–

22. RIGHT-OF-USE ASSETS/LEASE PREPAYMENTS *(continued)*

Right-of-use assets	**Land use rights and lease prepayment** RMB'000
At 1 January 2019	520,569
Additions	32,308
Amortisation	(30,371)
Transfer to disposal group classified as held for sales (note 29)	(56,948)
Disposal/deregistration of subsidiaries (note 46(a))	(56,425)
At 31 December 2019	409,133

As at 31 December 2019, certain right-of-use assets with carrying amount of approximately RMB756,000 (2018: lease prepayment of RMB774,000) were pledge as securities for the Group's loans and borrowings (note 32).

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 **RMB'000**	1 January 2019 RMB'000
Ownership interests in leasehold land and buildings, carried at depreciated cost with remaining lease term of:		
— 2–26 years	**28,613**	35,667
Other properties leased for own use, carried at depreciated cost	**380,520**	484,902
	409,133	520,569

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 **RMB'000**	2018 RMB'000
Financial assets measured at fair value through other comprehensive income		
Unlisted partnership investments (note (a))	**1,050,641**	1,041,727
Unlisted equity investments (note (b))	**678,450**	1,005,707
	1,729,091	2,047,434

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

Notes:

(a) As at 31 December 2019 and 2018, 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).

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.

As at 31 December 2019, the fair value of the Group's actual capital contribution paid in Suzhou Junsheng Limited Partnership was approximately RMB492,500,000 (2018: RMB400,000,000).

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 43 to the financial statements in this annual report.

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.

(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 2019, the fair value of the Group's actual capital contribution paid in Taizhou Jiuan Limited Partnership was approximately RMB300,000,000 (2018: RMB300,000,000).

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

Notes: *(continued)*

(a) *(continued)*

(ii) 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 5 of note 43 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 2019, the fair value of the Group's actual capital contribution paid in Huoerguosi Limited Partnership was approximately RMB3,141,000 (2018: RMB86,727,000)

(iv) 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 2019, the fair value of the Group's actual capital contribution paid in Jiaxing Shengshi Limited Partnership was approximately RMB255,000,000 (2018: RMB255,000,000).

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 43 to the financial statements in this annual report.

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

Notes: *(continued)*

(b) As at 31 December 2019 and 2018, 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.

The unlisted equity investment in Hohhot Jingu Bank is measured at fair value. For the year ended 31 December 2019, a fair value gain of approximately RMB47,061,000 (2018: RMB54,431,000) was recognised in other comprehensive income. The fair value of the unlisted equity investment of Hohhot Jingu Bank as at 31 December 2019 of approximately RMB239,610,000 (2018: RMB192,549,000) was determined with reference to the valuation report prepared by an independent professional qualified valuer.

(ii) As at 31 December 2019, the unlisted equity investment, at fair value, represents approximately 2.52% (2018: 2.52%) and approximately 1.38% (2018: 1.38%) 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 2019, a fair value loss of approximately RMB374,318,000 (2018: RMB17,111,000) was recognised in other comprehensive income. The fair value of the unlisted equity investment of Jinzhou Bank as at 31 December 2019 of approximately RMB438,840,000 (2018: RMB813,158,000) was determined with reference to the valuation report prepared by 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 2019, unlisted equity investments measured at fair value with the carrying value of approximately RMB438,840,000 (2018: RMB813,158,000) were pledged as securities for the Group's loans and borrowings (note 32).

24. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Equity securities listed in Hong Kong		
At the beginning of the year	**81,143**	71,606
Disposal	**(44,587)**	–
Net unrealised (loss)/gain on fair values changes	**(9,239)**	5,864
Exchange realignment	**881**	3,673
At the end of the year	**28,198**	81,143
Equity securities listed in the PRC		
At the beginning of the year	**–**	128,675
Disposal	**–**	(128,675)
At the end of the year	**–**	–
	28,198	81,143

During the year ended 31 December 2019, the Group disposed of certain of its equity securities investment listed in Hong Kong at a consideration of approximately RMB43,034,000, resulting in a net realised loss on disposal of financial assets measured at fair value through profit or loss of approximately RMB1,553,000 (note 8).

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 2019 and 2018, the fair values of all listed securities are determined directly by reference to the quoted market bid price available on the relevant exchanges.

25. INVENTORIES

	2019 RMB'000	2018 RMB'000
Liquefied natural gas	**675**	2,394
Solar power plants — consumables	**547**	664
	1,222	3,058

26. TRADE, BILLS AND OTHER RECEIVABLES

	2019 **RMB'000**	2018 RMB'000
Trade receivables	**2,632,800**	2,446,256
Bills receivables	**124,822**	42,335
Impairment provision for trade receivables	**(24,618)**	(10,752)
Trade and bills receivables, net (note (i))	**2,733,004**	2,477,839
Other receivables, prepayments and deposits	**1,629,802**	2,175,637
Impairment provision for other receivables	**(70,675)**	(7,400)
Other receivables, prepayments and deposits, net	**1,559,127**	2,168,237
	4,292,131	4,646,076

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

	2019 **RMB'000**	2018 RMB'000
Less than 3 months	**650,526**	543,311
Over 3 months but less than 6 months	**261,127**	347,084
Over 6 months but less than 12 months	**430,605**	611,903
Over 12 months but less than 24 months	**808,365**	855,600
Over 24 months	**582,381**	119,941
	2,733,004	2,477,839

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

	2019 **RMB'000**	2018 RMB'000
Neither past due nor impaired	**466,777**	331,174
Less than 3 months past due	**276,057**	315,650
Over 3 months but less than 6 months past due	**257,785**	361,656
Over 6 months but less than 12 months past due	**416,253**	591,649
Over 12 months but less than 24 months past due	**808,139**	773,377
Over 24 months past due	**507,993**	104,333
	2,733,004	2,477,839

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

Movements in provision for impairment of trade and other receivables for the years ended 31 December 2019 and 2018 are as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
At 1 January 2018 (restated)	11,948	7,167	19,115
Impairment provision for the year	1,764	233	1,997
Recovery of impairment loss	(2,960)	–	(2,960)
At 31 December 2018 and 1 January 2019	**10,752**	**7,400**	**18,152**
Impairment provision for the year	**14,427**	**63,247**	**77,674**
Recovery of impairment loss	**(561)**	**–**	**(561)**
Exchange realignment	**–**	**28**	**28**
At 31 December 2019	**24,618**	**70,675**	**95,293**

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 (2018: 30 to 180 days) from the date of billing, except for the renewable energy subsidy.

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. As at 31 December 2019, the outstanding renewable energy subsidy amounted to approximately RMB2,255,057,000 (2018: RMB2,179,498,000).

(ii) All trade and other receivables are expected to be recovered or recognised as expense within one year, except for certain deposits amounting to approximately RMB1,061,000 (2018: RMB967,000) as at 31 December 2019, which are expected to be recovered after more than one year.

(iii) As at 31 December 2019, certain trade receivables arising from the sales of electricity amounting to approximately RMB2,029,478,000 (2018: RMB1,713,102,000) were pledged as securities for the Group's loans and borrowings (note 32).

27. STRUCTURED BANK DEPOSITS

The structured bank deposits as at 31 December 2019 and 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 3.5% (2018: 3.6%) per annum. The Group considered that the fair value of embedded derivative was minimal and hence no derivative financial instruments were recognised.

28. CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash on hand	–	69
Cash at banks	**194,156**	256,241
	194,156	256,310

Included in cash and cash equivalents of the Group is approximately RMB190,959,000 (2018: RMB245,790,000) 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.

29. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

2019 disposal group

As at 31 December 2019, the assets and liabilities related to 千陽縣寶源光伏電力開發有限公司 Qianyang Baoyuan Photovoltaic Power Development Limited ("Baoyuan"), 阿圖什市華光能源有限公司 Artux Huaguang Energy Limited ("Huaguang"), 巨鹿縣明暉太陽能發電有限公司 Julu Minghui Photovoltaic Power Limited ("Minghui"), 蘭州太科光伏電力有限公司 Lanzhou Taike Photovoltaic Power Limited ("Taike"), 阿圖什市興光能源有限公司 Artux Xingguang Energy Limited ("Xingguang"), 溧陽新暉光伏發電有限公司 Liyang Xinhui Photovoltaic Power Generation Limited ("Xinhui"), 和靜旭雙太陽能科技有限公司 Hejing Xushuang Photovoltaic Technology Limited ("Xushuang"), 宿州市雲陽新能源發電有限公司 Suzhou Yunyang New Energy Electricity Co., Ltd. ("Yunyang"), 哈密朝翔新能源科技有限公司 Hami Zhaoxiang New Energy Technology Limited ("Zhaoxiang") (together the "Nine Project Companies") and 定邊縣昂立光伏科技有限公司 Dingbian Angli Solar Power Technology Co., Ltd. ("Angli") were presented as held for sale following the sale and purchase agreements dated 15 November 2019 and 5 December 2019 entered into between the Group and the purchasers. The principal activities of these subsidiaries were engaged in solar power generation. For details, please refer to the announcements of the Company dated 26 November 2019 and 5 December 2019, respectively, and the circular of the Company dated 6 January 2020.

In accordance with HKFRS 5, assets and liabilities relating to these subsidiaries were classified as held for sale in the consolidated statement of financial position as at 31 December 2019. The disposal did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation.

The directors of the Company regard the sale proceeds less directly attributable costs which amounted to approximately RMB819,313,000 as the fair value less cost of disposal for the disposal of these subsidiaries.

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

2019 disposal group *(continued)*

	2019 RMB'000
Property, plant and equipment (note 17)	**2,150**
Solar power plants (note 18)	**2,260,134**
Goodwill (note 21)	**52,221**
Right-of-use assets (note 22)	**56,948**
Inventories	**21**
Trade and other receivables	**798,264**
Amounts due from group companies	**213,737**
Cash and cash equivalents	**59,600**
	3,443,075
Less: Amounts due from group companies	**(213,737)**
Impairment loss on a disposal group classified as held for sale	**(327,729)**
Total assets classified as held for sale	**2,901,609**
Trade and other payables	**100,382**
Amounts due to group companies	**984,608**
Loans and borrowings	**1,205,295**
Tax payables	**3,118**
Lease liabilities (note 38)	**24,527**
	2,317,930
Less: Amounts due to group companies	**(984,608)**
Total liabilities classified as held for sale	**1,333,322**

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

2018 disposal group

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.

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 34)	1,244
Total liabilities classified as held for sale	6,864

The disposal was completed on 30 September 2019.

30. TRADE AND OTHER PAYABLES

	2019 **RMB'000**	2018 RMB'000
Trade payables	**1,042,309**	1,493,153
Other payables and accruals	**626,945**	410,394
	1,669,254	1,903,547

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

	2019 **RMB'000**	2018 RMB'000
Current or less than 3 months	**347,799**	207,465
Over 3 months but less than 6 months	**11,669**	7,611
Over 6 months but less than 12 months	**117,111**	93,951
Over 12 months	**565,730**	1,184,126
	1,042,309	1,493,153

Retentions payable amounting to approximately RMB311,768,000 (2018: RMB323,488,000), which are included in other payables and accruals, will be settled or recognised as income after more than one year. All of the other trade and other payables are expected to be settled within one year or are repayable on demand.

31. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities arising from:		
Trading of liquefied natural gas	**–**	8,038

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

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

	RMB'000
Balance as at 1 January 2018	–
Acquisition of a subsidiary (note 45(a))	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 and 1 January 2019	8,038
Decrease as a result of recognising revenue during the year	(8,038)
Balance as at 31 December 2019	–

32. LOANS AND BORROWINGS

	2019 RMB'000	2018 RMB'000
Current		
Secured		
— bank loans	**320,500**	60,500
— other borrowings	**1,049,928**	830,110
	1,370,428	890,610
Non-current		
Secured		
— bank loans	**29,000**	299,500
— other borrowings	**8,270,649**	10,427,125
	8,299,649	10,726,625
Total loans and borrowings	**9,670,077**	11,617,235

32. LOANS AND BORROWINGS *(continued)*

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

	2019 RMB'000	2018 RMB'000
Within 1 year	**1,370,428**	890,610
After 1 year but within 2 years	**649,767**	1,544,749
After 2 years but within 5 years	**3,424,667**	6,425,017
Over 5 years	**4,225,215**	2,756,859
	9,670,077	11,617,235

Loans and other borrowings bear interest ranging from 4.9% to 14.56% (2018: 3.80% to 12.25%) per annum.

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

	2019 RMB'000	2018 RMB'000
Fixed-rate borrowings	**5,033,500**	4,918,000
Floating-rate borrowings	**4,636,577**	6,699,235
	9,670,077	11,617,235

The loans and borrowings were secured by the following assets:

	2019 RMB'000	2018 RMB'000
Solar power plants (note 18)	**6,413,341**	8,027,467
Trade receivables (note 26)	**2,029,478**	1,713,102
Right-of-use assets (note 22)	**756**	–
Lease prepayments (note 22)	**–**	774
Unlisted equity investments, at fair value (note 23)	**438,840**	813,158
	8,882,415	10,554,501

32. LOANS AND BORROWINGS *(continued)*

As at 31 December 2019, other borrowings that are secured by the equity interest of certain subsidiaries of the Company are summarised as follows:

(a) other borrowings of approximately RMB16,000,000 (2018: RMB18,000,000) 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 (2018: 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 (2018: 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 Company Limited*); ("Jiangshan Fengrong")

(d) other borrowings of approximately RMB275,649,000 (2018: 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 Co., Ltd.*); ("Liuan Xuqiang")

(e) other borrowings of approximately RMB300,000,000 (2018: 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 Co. Ltd.*); ("Jiayuguan Xiehe")

(f) other borrowings of approximately RMB180,000,000 (2018: 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 Co., Ltd.*); ("Lintan Tianlang")

(g) other borrowings of approximately RMB244,351,000 (2018: 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 Co., Ltd.*) ("Dingbian Jingyang")

(h) other borrowings of approximately RMB369,366,000 (2018: RMB369,366,000) 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 (2018: RMB130,634,000) 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(2018: RMB1,500,000,000) 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 (2018: RMB260,000,000) 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 (2018: RMB280,000,000) were pledged by 98.25% equity interests of Huaguang;

(m) other borrowings of approximately RMB260,000,000 (2018: RMB260,000,000) were pledged by 99.62% equity interests of Xingguang; and

(n) other borrowings of approximately RMB185,000,000 (2018: Nil) were pledged by 99.46% equity interests of Shuozhou Yongyang.

In addition, an independent third party had provided unlimited corporate guarantees to certain of the Group's other borrowings amounting to approximately RMB441,865,000 (2018: RMB587,227,000).

33. CORPORATE BONDS

	2019 RMB'000	2018 RMB'000
At beginning of the year	**275,383**	386,478
Initial recognition	**50,860**	225,820
Imputed interest expense (note 13)	**27,308**	37,318
Interest paid/payable	**(16,470)**	(23,201)
Repayment	**(56,794)**	(371,071)
Exchange realignment	**6,238**	20,039
At the end of the year	**286,525**	275,383

As at 31 December 2019, corporate bonds denominated in Hong Kong dollar with an aggregate principal amount of HK$343,500,000 (equivalent to approximately RMB307,700,000) (2018: HK$344,000,000 (equivalent to approximately RMB301,413,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 7% (2018: 3% to 9%) per annum, and will mature on the date immediately following 6 to 96 months (2018: 3 to 96 months) after their issuance.

During the year ended 31 December 2019, the Group issued corporate bonds with an aggregate principal amount of HK$64,000,000 (equivalent to approximately RMB56,353,000) (2018: HK$290,500,000 (equivalent to approximately RMB254,536,000)) to certain independent third parties, the net proceeds of the issued corporate bonds received by the Company were approximately HK$57,761,000 (equivalent to approximately RMB50,860,000) (2018: HK$257,727,000 (equivalent to approximately RMB225,820,000)), with total issue cost amounting to approximately HK$6,239,000 (equivalent to approximately RMB5,493,000) (2018: HK$32,773,000 (equivalent to approximately RMB28,716,000)).

During the year ended 31 December 2019, the Group has repaid HK$64,500,000 (equivalent to approximately RMB56,794,000) (2018: HK$423,500,000 (equivalent to approximately RMB371,071,000)) 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 10.4% to 14.56% (2018: 10.24% to 12.00%) per annum. Imputed interest of approximately HK$31,013,000 (equivalent to approximately RMB27,308,000) (2018: HK$44,200,000 (equivalent to approximately RMB37,318,000)) (note 13) in respect of the corporate bonds was recognised in profit or loss during the year ended 31 December 2019.

As at 31 December 2019, corporate bonds amounting to approximately HK$9,002,000 (equivalent to approximately RMB8,063,000) (2018: HK$63,764,000 (equivalent to approximately RMB55,870,000)) and approximately HK$310,859,000 (equivalent to approximately RMB278,462,000) (2018: HK$250,528,000 (equivalent to approximately RMB219,513,000)) were classified as current liabilities and non-current liabilities, respectively.

34. DEFERRED TAX ASSETS

At 31 December 2019, the movement on the deferred tax (liabilities) and assets is as follows:

	Fair value change of investment properties RMB'000	**Impairment of assets** RMB'000
At 1 January 2018	(1,187)	–
Charged to profit or loss (note 14)	–	2,360
Transfer to liabilities of a disposal group classified as held for sale (note 29)	1,244	–
Exchange difference	(57)	–
At 31 December 2018 and 1 January 2019	–	2,360
Charged to profit or loss (note 14)	–	1,890
At 31 December 2019	–	4,250

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 RMB1,352,168,000 (2018: RMB873,892,000). 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.

35. SHARE CAPITAL

	2019		2018	
	Number of shares '000	**RMB'000**	Number of shares '000	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

36. 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 90 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 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 and 1 January 2019	**445,187**	**130,020**	**(480,968)**	**94,239**
Total comprehensive income for the year	**145,567**	**–**	**(99,039)**	**46,528**
Equity-settled share-based transactions (note 10)	**–**	**12,947**	**–**	**12,947**
Lapse of share options	**–**	**(92,463)**	**92,463**	**–**
At 31 December 2019	**590,754**	**50,504**	**(487,544)**	**153,714**

(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.

36. RESERVES *(continued)*

(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

The fair value through other comprehensive income 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 4.19.

37. DIVIDEND

No dividend was paid or proposed during the year 31 December 2019 nor has any dividend been proposed since the end of reporting period (2018: Nil).

38. LEASE LIABILITIES

HKFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 2.1. The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4.10.

The Group leases various lands. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Movement of the Group's leases liabilities is analysed as follows:

	2019 **RMB'000**
As at 1 January 2019	**274,641**
Interest expenses (note 13)	**16,818**
Lease payments	**(13,868)**
Transferred to liabilities of disposal group classified as held for sale (note 29)	**(24,527)**
Disposal of subsidiaries (note 46(a))	**(38,734)**
As at 31 December 2019	**214,330**

38. LEASE LIABILITIES *(continued)*

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

	Minimum lease payments RMB'000	**Interest** RMB'000	**Present value** RMB'000
As at 31 December 2019			
Not later than one year	**33,566**	**(10,319)**	**23,247**
Later than one year but not later than two years	**27,641**	**(10,817)**	**16,824**
Later than two year but not later than five years	**53,654**	**(23,808)**	**29,846**
Later than five years	**221,798**	**(77,385)**	**144,413**
	336,659	**(122,329)**	**214,330**
As at 1 January 2019			
Not later than one year	19,274	(6,082)	13,192
Later than one year but not later than two years	39,024	(22,571)	16,453
Later than two year but not later than five years	72,663	(34,916)	37,747
Later than five years	314,311	(107,062)	207,249
	445,272	(170,631)	274,641

The present value of future lease payments of the Group's leases are analysed as:

	2019 **RMB'000**
Current	**23,247**
Non-current	**191,083**
	214,330

39. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	**2019 RMB'000**	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**667**	506
Interests in subsidiaries		**1,117**	1,092
Right-of-use assets		**4,885**	–
		6,669	1,598
Current assets			
Financial assets measured at fair value through profit or loss		**28,198**	81,143
Other receivables		**6,959,050**	6,808,638
Cash and cash equivalents		**2,723**	9,940
		6,989,971	6,899,721
Current liabilities			
Trade and other payables		**64,876**	45,109
Lease liabilities		**1,211**	–
Corporate bonds		**8,063**	55,870
		74,150	100,979
Net current assets		**6,915,821**	6,798,742
Total assets less current liabilities		**6,922,490**	6,800,340
Non-current liabilities			
Lease liabilities		**3,726**	–
Corporate bonds		**278,462**	219,513
		282,188	219,513
NET ASSETS		**6,640,302**	6,580,827
CAPITAL AND RESERVES			
Share capital	35	**6,486,588**	6,486,588
Reserves	36	**153,714**	94,239
TOTAL EQUITY		**6,640,302**	6,580,827

On behalf of the directors

Jin Yanbing
Chairman and Executive Director

Deng Chengli
Executive Director

40. COMMITMENTS

(a) Capital commitments

At 31 December 2019, the Group had outstanding capital commitments as follows:

	2019 **RMB'000**	2018 RMB'000
Contracted but not provided for in respect of		
— the construction costs and service expense for solar power plants under development	**309,265**	472,561

(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
Within 1 year	25,943
After 1 year but within 5 years	53,694
Over 5 years	165,719
	245,356

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

41. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 (equivalent to approximately RMB1,300) (2018: 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 2019, the total retirement benefit cost charged to the consolidated statement of profit or loss amounted to approximately RMB24,828,000 (2018: RMB37,659,000) (note 10).

42. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 22 July 2009 whereby the directors of the Company are authorised, at their discretion, to invite certain directors, employees and consultants ("the Grantees") of the Group, to take up options at consideration (HK$1.10 for options granted on 8 October 2014 ("Batch 1"), HK$1.16 for options granted on 11 November 2014 ("Batch 2"), 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

42. 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
Batch 4 options granted to directors:			
— on 3 April 2017	25,000,000	1 year from the date grant	5 years
— 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		

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

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

	2019		2018	
	Weighted exercise price HK$	**Number of options**	Weighted exercise price HK$	Number of options
Outstanding at the beginning of the year	**0.56**	**867,830,000**	0.55	942,650,000
Lapsed during the year	**0.34**	**(434,990,000)**	0.41	(74,820,000)
Outstanding at the end of the year	**0.36**	**432,840,000**	0.56	867,830,000
Exercisable at the end of the year	**0.37**	**179,335,000**	0.81	403,820,000

The options outstanding at 31 December 2019 had an exercise price of HK$0.30 or HK$0.41 (2018: HK$1.10, HK$0.30 or HK$0.41) and a weighted average remaining contractual life of 2.30 years (2018: 2.57 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:

	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.

43. INTERESTS IN SUBSIDIARIES

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

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
哈密朝翔新能源科技有限公司 Zhaoxiang^	PRC	RMB30,000,000	–	100%	Solar power generation
甘肅宏遠光電有限責任公司 (Gansu Hongyuan Photovoltaic Limited*)^	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 Xushuang^	PRC	RMB20,000,000	–	100%	Solar power generation
蘭州太科光伏電力有限公司 Taike^	PRC	RMB88,000,000	–	100%	Solar power generation
威縣天海光伏發電有限公司 (Weixian Tihein Photovoltaic Energy Limited*)^	PRC	RMB1,000,000	–	100%	Solar power generation

43. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
阿圖什市華光能源有限公司 Huaguang^	PRC	RMB285,000,000	–	100% (note 3)	Solar power generation
阿圖什市興光能源有限公司 Xingguang^	PRC	RMB261,000,000	–	100% (note 3)	Solar power generation
強茂能源鄂爾多斯市有限責任公司 (Qiangmao Energy Eerduosi Limited*)^	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
柯坪天華新能源電力有限公司 (Keping Tianhua New Energy Electricity Limited*)^	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*)^	PRC	RMB77,000,000	–	100% (note 4)	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 4)	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
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

43. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
定邊縣昂立光伏科技有限公司 Angli^	PRC	RMB1,000,000	–	100%	Solar power generation
千陽縣寶源光伏電力開發有限公司 Baoyuan^	PRC	RMB60,000,000	–	100%	Solar power generation
巨鹿縣明暉太陽能發電有限公司 Minghui^	PRC	RMB60,000,000	–	100%	Solar power generation
肥西中暉光伏發電有限公司 (Feixi Zhonghui Photovoltaic Power 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 Honglu^	PRC	RMB1,501,000,000	–	100% (note 5)	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 5)	Solar power generation
定邊縣萬和順新能源發電有限公司 (Dingbian Wanheshun New Energy Power Generation Limited*)^	PRC	RMB995,000/ RMB56,000,000	–	100%	Solar power generation
六安旭強新能源工程有限公司 Liuan Xuqiang^	PRC	RMB270,000,000	–	100% (note 5)	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
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	–	100%	Solar power generation

43. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
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 Yunyang^	PRC	RMB68,000,000	–	100%	Solar power generation
麥蓋提縣恒基偉業光伏電力有限公司 (Maigaiti Hengji Weiye Photovoltaic Power 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*)^	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*)^	PRC	RMB43,000,000	–	100%	Solar power generation
溧陽新暉光伏發電有限公司 Xinhui^	PRC	RMB20,000,000	–	100%	Solar power generation
榆林正信電力有限公司 (Yulin Zhengxin Electricity Limited*)^	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*)^	PRC	RMB48,600,000	–	100%	Solar power generation
定邊縣智信達新能源有限公司 Dingbian County Zhixinda^	PRC	RMB35,000/ RMB350,000,000	–	100% (note 5)	Solar power generation
榆林市江山永宸新能源有限公司 (Yulin City Jiangshan Yongche New Energy Limited*)^	PRC	RMB1,200,000,000	–	100%	Solar power generation

43. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
廣州寶乾小額貸款有限公司 (Guangzhou Baoqian Microfinance Limited*)^	PRC	RMB100,000,000	–	70%	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*)^	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 5)	Solar power generation
嘉峪關協合新能源有限公司 Jiayuguan Xiehe^	PRC	RMB302,000,000	–	100% (note 5)	Solar power generation
化隆縣瑞啟達新能源有限公司 Hualong County Ruiqida^	PRC	RMB130,634,479/ RMB131,000,000	–	100%	Solar power generation
江蘇海闊能源有限公司 (Jiangsu Haikuo Energy 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 Microfinance Limited*) ("Runfeng Yuanda")^	PRC	RMB100,000,000	–	55%	Microfinancial business
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
北京鑫泰綠能科技有限公司 (Beijing Xintai Green Energy Technology Co., Ltd.*)^	PRC	RMB30,000,000	–	100%	Solar power plant operation and maintenance services

43. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation and business	Paid up capital/ registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
陝西億潤新能源科技有限公司 (Shaanxi Yirun New Energy Technology Co., Ltd.*) ("Shaanxi Yirun")	PRC	RMB67,000/ RMB30,000,000	–	100%	Electricity maintenance services
靈璧永基新能源科技有限公司 (Lingbi Yongji New Energy Technology Co., Ltd.*)	PRC	RMB Nil/ RMB1,000,000	–	100%	Solar power generation

^ These companies are domestic owned enterprises.
* These companies are foreign owned enterprises.

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 2019, 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 2019, 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 Huaguang, Xingguang and Huanghua Zhengyang and holds approximately 98.25%, 99.62% and 96.30% equity interests of Huaguang, 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 Huaguang, 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 Huaguang, 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 Huaguang, Xingguang and Huanghua Zhengyang and therefore Huaguang, Xingguang and Huanghua Zhengyang are treated as a wholly-owned subsidiaries of the Company.

43. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: *(Continued)*

4. As at 31 December 2019, 0.33% (2018: 0.33%) 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% (2018: 0.33%) equity shares of Huanghua Zhengyang was held by Beijing Zhengyangda up to the completion of the project as a pledge for final payment of consideration payable amounting to RMB1. According to the terms of agreement, Beijing Zhengyangda does not share any profit or bear loss of Huanghua Zhengyang.

5. 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 at 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.

44. NON-CONTROLLING INTERESTS

	2019 **RMB'000**	2018 RMB'000
At beginning of the year	**82,570**	38,720
Acquisition of additional interest in a subsidiary	**–**	(8,485)
Acquisition of subsidiaries (note 45(a))	**–**	51,473
(Loss)/profit for the year attributable to non-controlling interests	**(92)**	862
At end of the year	**82,478**	82,570

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

45. 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
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 micro financial business in the PRC respectively.

The combined identifiable assets acquired and liabilities assumed at the 2018 Acquisition 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 31)	(20,843)	–	(20,843)
Total identifiable net assets at fair value	117,337	–	117,337
Goodwill (note 21)			746
Gain on bargain purchase on acquisitions of a subsidiary (note i)			(2,504)
Less: non-controlling interests			(51,473)
Transfer from financial assets measured at fair value through other comprehensive income (note 23)			(27,106)
Total cash consideration			37,000

45. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) Business combinations *(continued)*

An analysis of net outflow 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.

(b) Acquisition of assets

During the year ended 31 December 2019, the Group entered into various equity transfer agreements with independent third parties to acquire equity interests in certain PRC- and Hong Kong-incorporated entities at a total cash consideration of approximately RMB1,804,000. The newly-acquired entities are set out as follows:

Name of entities	**Equity interests acquired**	**2019 Acquisition dates**
Shaanxi Yirun (note (i))	100%	6 November 2019
金力科技有限公司 G-Force Technology Limited ("G-Force") (note (ii))	100%	29 August 2019

Note:

(i) The principal activity of Shaanxi Yirun is provision of electricity maintenance services.

(ii) The principal activity of G-Force is investment holding.

45. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) Acquisition of assets *(continued)*

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

	Carrying amount RMB'000	**Fair value adjustments** RMB'000	**Fair value** RMB'000
Other receivables	1,804	–	1,804
Total identifiable net assets at fair value			1,804
Total cash consideration			1,804

An analysis of net outflow 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:	
Total consideration	(1,804)
Cash consideration paid	39
Purchase consideration settled in cash	(1,765)

46. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

(a) During the year ended 31 December 2019, the Group disposed of the entire equity interests in certain PRC- and Hong Kong-incorporated entities at a total cash consideration of approximately RMB233,004,000. The entities are set out below:

Name of entities	Disposal date
麗新進出口有限公司 (Lisun Trading Limited) (note (i))	30 September 2019
湖州祥暉光伏發電有限公司 (Huzhou Xianghui Solar Power Co., Ltd*.) (note (ii))	05 August 2019
樟樹市中利騰暉光伏有限公司 (Zhangshu Zhongli Tenghui Solar Co., Ltd.*) (note (ii))	17 April 2019
霍林郭勒競日能源有限公司 (Huolin Guole Jingri Energy Limited*) (note (ii))	29 March 2019

Notes:

(i) The principal activity of Lisun Trading Limited is properties investment.

(ii) These entities are principally engaged in the operation of solar power generation and electricity generation. For details, please refer to the announcements of the Company dated 21 March 2019, 28 March 2019 and 7 May 2019, respectively.

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

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 17)	2,515
Solar power plants (note 18)	1,108,290
Goodwill (note 21)	46
Right-of-use assets (note 22)	56,425
Trade, bills and other receivables	403,134
Cash and cash equivalents	1,549
Trade and other payables	(548,123)
Tax payables	(578)
Deferred tax liabilities	(1,294)
Lease liabilities (note 38)	(38,734)
Loans and other borrowings	(684,039)
	299,191
Release of exchange reserve upon disposal (note 15)	431
Net loss on disposal of subsidiaries	(66,618)
Total consideration	233,004

46. 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 inflows arising from disposal and deregistration of subsidiaries:	
Total consideration	233,004
Cash consideration received	(19,861)
Cash and cash equivalents disposed of (including cash and cash equivalents in disposal group classified as held for sale)	(1,549)
	211,594

(b) 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. The entities are set out below:

Name of entities	**Disposal/ Deregistration date**
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 principle activity of Single Star is properties investment.

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

(b) *(continued)*

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

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 17)	153
Solar power plants (note 18)	350,193
Investment properties	927
Lease prepayment (note 22)	997
Trade, bills and other receivables	123,403
Cash and cash equivalents	376
Other payables and accruals	(162,183)
Loans and other 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

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	72,216
Cash and cash equivalents disposed of	(376)
	71,840

47. 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.

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Loans and other borrowings (note 32) RMB'000	Finance leases RMB'000	Corporate bonds (note 33) RMB'000	Total RMB'000
At 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 lease	–	(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 46)	(244,324)	–	–	(244,324)
Transferred to liabilities of a disposal group classified as held for sales (note 29)	(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

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(continued)*

	Loans and other borrowings (note 32) RMB'000	Corporate bonds (note 33) RMB'000	Total RMB'000
At 1 January 2019	**11,617,235**	**275,383**	**11,892,618**
Changes from cash flows:			
Proceeds from new loans and borrowings	**750,000**	**–**	**750,000**
Proceeds from issue of corporate bonds	**–**	**50,860**	**50,860**
Repayment of loans and borrowings	**(807,824)**	**–**	**(807,824)**
Repayment of corporate bonds	**–**	**(56,794)**	**(56,794)**
Interest paid	**–**	**(16,470)**	**(16,470)**
Total changes from financing cash flows	**(57,824)**	**(22,404)**	**(80,228)**
Exchange adjustments	**–**	**6,238**	**6,238**
Non-cash changes:			
Disposal/deregistation of subsidiaries (note 46)	**(684,039)**	**–**	**(684,039)**
Transferred to liabilities of a disposal group classified as held for sales (note 29)	**(1,205,295)**	**–**	**(1,205,295)**
Imputed interest expenses	**–**	**27,308**	**27,308**
Total non-cash changes	**(1,889,334)**	**27,308**	**(1,862,026)**
At 31 December 2019	**9,670,077**	**286,525**	**9,956,602**

49. RELATED PARTY TRANSACTIONS

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

50. 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.

51. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

51.1 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 51.2.

(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:

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

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

(a) *Credit risk (continued)*

(i) Loan receivables arising from provision of financial services

2019	**Expected loss rate (%)**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**2%**	**260,005**	**5,182**
Less than 3 months past due	**3%**	**3,001**	**90**
Over 3 months but less than 6 months past due	**10%**	**4,200**	**402**
More than 6 months past due	**20%**	**26,130**	**5,351**
		293,336	**11,025**

2018	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

(ii) Trade receivables arising from the trading of solar energy related products

2019	**Expected loss rate (%)**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Over 6 but less than 12 months	**5%**	**24,078**	**1,204**
More than 2 years past due	**50%**	**25,125**	**12,389**
		49,203	**13,593**

2018	Expected loss rate (%)	Gross carrying amount RMB'000	Loss allowance RMB'000
More than 2 years past due	50%	14,719	7,359

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

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

(a) *Credit risk (continued)*

(iii) Other receivables and deposits

Loss allowance on other receivables from and deposits paid to third parties are measured as either 12-months expected credit losses or lifetime expected credit losses on individual basis, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses. During the year ended 31 December 2019, the Group has recognised an impairment charge of approximately RMB63,247,000 (2018: RMB233,000) in the consolidated statement of profit or loss.

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.

Receivables that were neither past due/past due nor impaired represent renewable energy subsidy receivables from the PRC government 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 other receivables during the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Balance at 1 January	**18,152**	19,115
Impairment provision for the year	**77,674**	1,997
Recovery of impairment loss	**(561)**	(2,960)
Exchange realignment	**28**	–
Balance at 31 December	**95,293**	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.

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

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

(b) *Interest rate risk*

The Group's interest rate risk arises primarily from loans and borrowings issued at 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 2019 and 2018, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

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

	2019		2018	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Net fixed rate borrowings:				
Loans and borrowings	**7.30%–10.25%**	**5,033,510**	7.30%–12.25%	4,918,000
Corporate bonds	**10.40%–14.56%**	**286,525**	10.24%–12.00%	275,383
		5,320,035		5,193,383
Variable rate borrowings:				
Loans and borrowings	**4.90%–10.00%**	**4,636,567**	3.80%–10.00%	6,699,235
Total net borrowings		**9,956,602**		11,892,618
Net fixed rate borrowings as a percentage of total net borrowings		**53.43%**		43.67%

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

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

(b) *Interest rate risk (continued)*

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

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 2019, if the interest rate of loans and borrowings had been 50 (2018: 50) basis points higher/lower, the Group's loss (2018: profit) before income tax would increase/decrease (2018: decrease/increase) by approximately RMB23,183,000 (2018: RMB33,496,000).

(c) *Currency risk*

Almost all the Group's operating activities are carried out in the PRC for the years ended 31 December 2019 and 2018 with most of the transactions denominated in RMB. Exposures to currency exchange rates arise from certain of the Group's cash and cash equivalents, trade, bills and other receivables and trade and other payables which are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB and HK$. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk.

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

	Assets		**Liabilities**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**68**	68	**–**	–
HK$	**–**	1	**–**	–
US$	**10**	–	**–**	–

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

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

(c) *Currency risk (continued)*

FOREIGN EXCHANGE SENSITIVITY ANALYSIS

A 5% (2018: 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% (2018: 5%) change in foreign currency rates. For a 5% (2018: 5%) strengthening of HK$ against RMB, there is no change in loss (2018: profit) for the years ended 31 December 2019 and 2018. For a 5% (2018: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the loss (2018: profit) for the year.

For a 5% (2018: 5%) strengthening of US$ against RMB, there is no changes for loss (2018: profit) of the year. For a 5% (2018: 5%) weakening of US$ against RMB, there would be an equal and opposite impact on the loss (2018: profit) for the year.

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

(d) *Liquidity risk*

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

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

51. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(continued)

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

(d) *Liquidity risk (continued)*

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

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within one year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
As at 31 December 2019						
Trade and other payables	**1,654,971**	**1,654,971**	**1,343,203**	**311,768**	**-**	**-**
Corporate bonds	**286,525**	**339,550**	**36,165**	**252,404**	**50,981**	**-**
Loans and borrowings						
– Variable rates	**5,033,500**	**5,897,331**	**825,935**	**2,020,574**	**2,201,972**	**848,850**
– Fixed rates	**4,636,577**	**6,086,302**	**1,182,029**	**277,306**	**1,977,306**	**2,649,661**
	11,611,573	**13,978,154**	**3,387,332**	**2,862,052**	**4,230,259**	**3,498,511**
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						
– Variable 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

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

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

(d) Liquidity risk (continued)

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.

(e) Price risk

The Group is exposed to price risk through its financial assets measured at fair value through profit or loss (note 24) 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.

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 measured at fair value through profit or loss 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 measured at fair value through profit or loss.

If the prices of the listed equity securities held by the Group had been 10% (2018: 10%) higher/lower, the Group's loss (2018: profit) for the year would decrease/increase (2018: increase/decrease) by approximately RMB2,820,000 (2018: RMB8,114,000) as a result of the changes in fair value of financial assets measured at fair value through profit or loss.

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

51.2 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 2019 and 2018 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.

	2019 **RMB'000**	2018 RMB'000
Financial assets		
Financial assets measured at fair value through other comprehensive income	**1,729,091**	2,047,434
Financial assets measured at fair value through profit or loss	**28,198**	81,143
At amortised cost:		
Trade, bills and other receivables	**3,481,872**	3,466,786
Structured bank deposits	**5,000**	9,230
Cash and cash equivalents	**194,156**	256,310
	5,438,317	5,860,903
Financial liabilities		
At amortised cost:		
Trade and other payables	**1,654,971**	1,872,467
Loans and other borrowings	**9,670,077**	11,617,235
Corporate bonds	**286,525**	275,383
Lease liabilities	**214,300**	–
	11,825,873	13,765,085

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.

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

51.3 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 2019				
Financial assets measured at fair value				
Financial assets measured at fair value through profit or loss	**28,198**	**–**	**–**	**28,198**
Financial assets measured at fair value through other comprehensive income	**–**	**–**	**1,729,091**	**1,729,091**
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

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

51.3 Fair value measurement of financial instruments *(continued)*

The fair values of the listed equity securities classified as financial assets measured at fair value through profit or loss 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 financial assets measured at fair value through other comprehensive income relating to Hohhot Jingu Bank (note 23(b)(i)) and Jinzhou Bank (note 23(b)(ii)) in Level 3 are derived from the weighted average of its profits and book value of comparable publicly traded commercial bank with shares listed and traded in the PRC and adjusted for the difference in profitability and financial strength as at 31 December 2019.

Significant unobservable inputs

Hohhot Jingu Bank

Discount for lack of marketability	20% (2018: 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 financial assets measured at fair value through other comprehensive income in respect of Hohhot Jingu Bank would decrease/increase by approximately RMB3,016,000 (2018: RMB2,407,000).

There is no change in valuation techniques during the year.

Jinzhou Bank

Discount for lack of marketability	52% (2018: 20%)

There is no change in valuation techniques during the year. Given that Jinzhou Bank had been suspended for trading due to significant asset reorganisation and the outcome of significant asset reorganisation was uncertain at year end date, a higher discount for lack of marketability was adopted by the valuer.

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 financial assets measured at fair value through other comprehensive income in respect of Jinzhou Bank would decrease/increase by approximately RMB5,247,000 (2018: RMB10,164,000).

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

51.3 Fair value measurement of financial instruments *(continued)*

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
At 1 January 2018	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 and 1 January 2019	2,047,434
Addition during the year	104,550
Fair value changes recognised in other comprehensive income during the year	(422,893)
At 31 December 2019	**1,729,091**

There were no transfers between Level 1 and Level 2, or transfers into or out of level 3 during the twelve months ended 31 December 2019.

52. 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 2019, the Group's debt to asset ratio, being the Group's total liabilities over its total assets was 71% (2018: 68%).

53. EVENTS AFTER THE REPORTING DATE

(i) On 15 November 2019, the Group entered into sale and purchase agreements with an independent third party to dispose the entire equity interests in the Nine Project Companies for a total equity consideration of approximately RMB760,314,000. As at the date of this report, the transfer of entire equity interests in Xinhui, Xushuang and Zhaoxiang to the purchaser have been completed, Xinhui, Xushuang and Zhaoxiang ceased to be wholly-owned subsidiaries of the Company and their financial statements no longer be consolidated to the Group's financial statements. As at the date of this report, the transfer of entire equity interest in the remaining seven companies to the purchaser have not been completed and they remain as wholly-owned subsidiaries of the Company.

(ii) On 5 December 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest in Dingbian Angli Solar Power Technology Co., Limited*) ("Angli") for an equity consideration of approximately RMB59,000,000. As at the date of this report, the transfer of entire equity interest in Angli to the purchaser has been completed, Angli ceased to be a wholly-owned subsidiary of the Company.

(iii) Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the business environment in the PRC. Up to the date of this report, COVID-19 has not resulted in material impact to the operating activities of the Group, except of the delay in settlement and cash receipts. Pending on the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated up to the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

Save as disclosed above, there are no other material events affecting the Group which have occurred after 31 December 2019 and up to the date of this report.

54. COMPARATIVE FIGURES

Certain comparative figures have been represented to conform with changes in presentation in current year. The changes that has been made to the comparative figures in the consolidated statement of profit or loss for the year ended 31 December 2018, to be consistent with the presentation in the current year's consolidated statement of profit or loss, are write-off of solar power plants under construction of approximately RMB16,103,000, being reclassified from "Other gains and losses" to "Impairment loss/write-off on solar power plants under construction".

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were approved and authorised for issue by the directors of the Company on 27 March 2020.

FIVE-YEAR FINANCIAL SUMMARY

The financial information relating to the year ended 31 December 2019 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 2019 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				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Re-presented)	RMB'000
REVENUE	**2,079,704**	1,881,004	1,278,704	560,571	1,736,278
(LOSS)/PROFIT FOR THE YEAR	**(698,721)**	16,277	120,053	54,804	(98,994)

FINANCIAL POSITION

	At 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**18,672,085**	20,420,116	20,010,092	15,473,629	10,407,395
TOTAL LIABILITIES	**(13,178,786)**	(13,816,288)	(13,463,601)	(9,076,990)	(7,005,198)
TOTAL EQUITY	**5,493,299**	6,603,828	6,546,491	6,396,639	3,402,197