江山控股
KongSun Holdings

# Kong Sun Holdings Limited

Stock Code: 295

# 2023 ANNUAL REPORT

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# CORPORATE INFORMATION

| | |
|---|---|
| **EXECUTIVE DIRECTORS** | Mr. Xian He<br>Mr. Wang Shaoyuan *(Resigned on 9 May 2023)* |
| **NON-EXECUTIVE DIRECTOR** | Mr. Jiang Hengwen *(Chairman)* |
| **INDEPENDENT NON-EXECUTIVE DIRECTORS** | Ms. Tang Yinghong<br>Ms. Wu Wennan<br>Mr. Xu Xiang |
| **AUDIT COMMITTEE** | Ms. Wu Wennan *(Chairman)*<br>Ms. Tang Yinghong<br>Mr. Xu Xiang |
| **NOMINATION COMMITTEE** | Ms. Tang Yinghong *(Chairman)*<br>Ms. Wu Wennan<br>Mr. Xu Xiang |
| **REMUNERATION COMMITTEE** | Mr. Xu Xiang *(Chairman)*<br>Ms. Tang Yinghong<br>Ms. Wu Wennan |
| **REGISTERED OFFICE** | Unit 803-4, 8/F<br>Everbright Centre<br>108 Gloucester Road<br>Wanchai<br>Hong Kong |
| **SHARE REGISTRAR AND TRANSFER OFFICE** | Computershare Hong Kong Investor Services Limited<br>Shops 1712–1716<br>17th Floor, Hopewell Centre<br>183 Queen's Road East<br>Hong Kong |
| **COMPANY SECRETARY** | Mr. Ching Kin Wai |
| **AUTHORISED REPRESENTATIVES** | Mr. Xian He<br>Mr. Ching Kin Wai |

# CORPORATE INFORMATION *(continued)*

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|---|---|
| **AUDITOR** | BDO Limited |
| **LEGAL ADVISER AS TO HONG KONG LAWS** | Sidley Austin |
| **STOCK CODE** | 295 |
| **CONTACT INFORMATION** | Tel : +852 3188 8851<br>Fax : +852 3186 2916<br>Website : www.kongsun.com |
| **INVESTOR RELATIONS** | Email : ir@kongsunhldgs.com |

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I hereby present the results of Kong Sun Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

In 2023, governments at all levels in China continued to support the development of the solar power generation industry with policies from the government. The National Development and Reform Commission, the National Energy Administration and other departments have successively issued a number of policy documents such as "Notice on Matters Concerning the Development and Construction of Wind Power and Photovoltaic Power Generation in 2023", "Notice on Completing the Full Coverage of Renewable Energy Green Power Certificate Work to Promote Renewable Energy Power Consumption", "Notice on Supporting the Standardized Land Management for the Development of Photovoltaic Power Generation Industry", and "Notice on Carrying out Pilot Demonstration of New Energy Storage" to encourage the development and consumption of renewable energy power.

In 2023, the Group continued to adopt a steady and pragmatic business strategy, strive to enhance the efficiency of power stations, while actively adjusting its asset structure and exploring diversified development opportunities. As of 31 December 2023, the Group held 11 grid-connected solar power plants in Anhui, Shaanxi, Inner Mongolia, Hubei and Shanxi in China, with a total installed capacity of 290 megawatt ("MW") and a total power generation of approximately 401,352 megawatt-hours ("MWh") in 2023. Meanwhile, the Group continued to actively expand its solar power generation, its wind power operation as well as its maintenance services business, and continued to develop its financial technology business such as the Internet microfinance loans, while persisting in exploring other investment opportunities in other energy, technology and healthcare sectors.

In 2023, the Group recorded a revenue of RMB475 million and a gross profit of RMB220 million.

In the future, the Group will continue to develop its clean energy and technology-driven financial services, further optimize its asset structure, enhance the efficiency of equipment in power plants, and accelerate its pace in the diversified development of the medical and health sector, strive to improve the Group's operating results, and promote the development of green and low-carbon energy in China, thus contributing to environmental protection and people's health.

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 maximizing overall return for its shareholders.

**Jiang Hengwen**
*Chairman*

Hong Kong, 28 March 2024

# FINANCIAL HIGHLIGHTS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Revenue | **474,793** | 555,727 |
| Gross profit | **219,648** | 267,689 |
| Loss for the year | **(328,649)** | (290,319) |
| Loss per share attributable to owners of the Company for the year | | |
| — Basic (RMB cents) | **(2.24)** | (1.97) |
| — Diluted (RMB cents) | **(2.24)** | (1.97) |
| Total non-current assets | **2,465,468** | 3,673,323 |
| Total current assets | **3,257,037** | 2,330,391 |
| Total assets | **5,722,505** | 6,003,714 |
| Total non-current liabilities | **764,349** | 1,765,184 |
| Total current liabilities | **2,028,118** | 804,414 |
| Total liabilities | **2,792,467** | 2,569,598 |
| NET ASSETS | **2,930,038** | 3,434,116 |

# 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 and asset management, and construction of Digital and Intelligent Traditional Chinese Medicine (DI-TCM) health management and service system and provision of DI-TCM diagnosis and treatment equipment.

## SOLAR POWER PLANTS BUSINESS

During the year ended 31 December 2023, 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 2023, the Group had a total of 290 MW (2022: 359.8 MW) completed solar power plants as follows:

### Completed solar power plants

| PRC Province | Number of solar power plants as at 31 December 2023 | Capacity of solar power plants |
|---|---|---|
| Shaanxi | 3 | 90 MW |
| Inner Mongolia | 1 | 10 MW |
| Shanxi | 1 | 20 MW |
| Anhui | 5 | 140 MW |
| Hubei | 1 | 30 MW |
| **Total** | **11** | **290 MW** |

## PROVISION OF FINANCIAL SERVICES

The Groups' revenue from provision of financial services increased by approximately 25.7% from approximately RMB53,041,000 for the year ended 31 December 2022 to approximately RMB66,681,000 for the year ended 31 December 2023 due to more loans have been made to customers during the year.

As at 31 December 2023, the total outstanding loan receivables was approximately RMB681,609,000 (2022: RMB408,316,000), which were made to approximately 6,700 (2022: 6,500) clients. The types of loan are credit loans, guaranteed loans and collateral-backed loans. The repayment period ranges from 2 to 36 months (2022: 2 to 36 months). The interest rate ranges from 6% to 25% (2022: 6% to 25%) per annum. The following tables set out further details of the top six clients with the highest amounts of outstanding loan receivables as at 31 December 2023 (the "2023 Major Clients") and 2022 (the "2022 Major Clients"):

| | Name of the 2023 Major Client | Relationship (either existing or prior) with the Company and its connected person | Principal business engaged by the 2023 Major Client | Means of introduction to the Group | Type of loan | Term of the loan | Principal amount *(RMB)* | Interest rate |
|---|---|---|---|---|---|---|---|---|
| 1. | 2023 Major Client 1 | Independent third party | Information services | By referral | Collateral-backed loan | 6 months | 3,000,000 | 15% p.a. |
| 2. | 2023 Major Client 2 | Independent third party | Culture and creation | By referral | Collateral-backed loan | 12 months | 3,000,000 | 14% p.a. |
| 3. | 2023 Major Client 3 | Independent third party | Administration | By referral | Collateral-backed loan | 36 months | 3,000,000 | 9% p.a. |
| 4. | 2023 Major Client 4 | Independent third party | Administration | By referral | Collateral-backed loan | 36 months | 3,000,000 | 9% p.a. |
| 5. | 2023 Major Client 5 | Independent third party | Administration | By referral | Collateral-backed loan | 36 months | 3,000,000 | 9% p.a. |
| 6. | 2023 Major Client 6 | Independent third party | Administration | By referral | Credit loan | 12 months | 3,000,000 | 9% p.a. |

## PROVISION OF FINANCIAL SERVICES *(continued)*

| | Name of the 2022 Major Client | Relationship (either existing or prior) with the Company and its connected person | Principal business engaged by the 2022 Major Client | Means of introduction to the Group | Type of loan | Term of the loan | Principal amount *(RMB)* | Interest rate |
|---|---|---|---|---|---|---|---|---|
| 1. | 2022 Major Client 1 (an individual) | Independent third party | Executive | By referral | Guaranteed loan | 6 months | 4,500,000 | 12% p.a. |
| 2. | 2022 Major Client 2 (an individual) | Independent third party | Executive | By referral | Guaranteed loan | 6 months | 4,200,000 | 12% p.a. |
| 3. | 2022 Major Client 3 (an individual) | Independent third party | Executive | By referral | Guaranteed loan | 6 months | 4,200,000 | 12% p.a. |
| 4. | 2022 Major Client 4 (an individual) | Independent third party | Executive | By referral | Guaranteed loan | 6 months | 3,950,000 | 12% p.a. |
| 5. | 2022 Major Client 5 (an individual) | Independent third party | Executive | By referral | Guaranteed loan | 6 months | 3,850,000 | 12% p.a. |
| 6. | 2022 Major Client 6 (an individual) | Independent third party | Executive | By referral | Guaranteed loan | 6 months | 3,300,000 | 12% p.a. |

Ageing analysis of loan receivables arising from the provision of financial services, based on due dates, are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Neither past due nor impaired | 550,666 | 334,346 |
| Less than 3 months past due | 40,380 | 30,566 |
| Over 3 months but less than 6 months past due | 230 | 315 |
| Over 6 months but less than 12 months past due | 123 | 4,237 |
| Over 12 months but less than 24 months past due | 42,502 | 18,935 |
| Over 24 months past due | 47,708 | 19,917 |
| | 681,609 | 408,316 |
| Provision for ECL | (65,384) | (30,900) |
| | 616,225 | 377,416 |

## PROVISION OF FINANCIAL SERVICES *(continued)*

The impairment losses on loan receivables arising from the provision of financial services (which were calculated based on an expected credit loss (the "ECL") in the aggregate amount of approximately RMB49,728,000 (2022: RMB18,771,000)) were recognised during the year ended 31 December 2023 (the "2023 Impairments") and 2022 (the "2022 Impairments") attributable to loan receivables. Such 2023 Impairments were made in respect of approximately 6,700 (2022: 6,500) individuals and of the Group based on the impairment assessment.

The credit risk of the financial services business of the Group is mainly arisen from its loans receivable from customers. To monitor credit risk, the Group sets out the following credit policies:

### (i) The Group's business model and credit risk assessment policy of the financial services business

The Group mainly uses its own funds to carry out credit business and does not accept deposits from the public. The Group has set up a credit committee (the "Credit Committee") in the subsidiaries operating the credit business, which is responsible for formulating the policies, authorisation and collective approval of the credit business of the subsidiaries. The primary duties of the Credit Committee are to approve and oversee the Group's credit policy and to monitor its loan portfolios. The Credit Committee comprises five senior management personnel from the subsidiaries operating the credit business with risk control, legal, finance and business background, and makes decisions through votes at the meetings.

All decisions for loan applications are handled by the Credit Committee. All new customers have to pass the Group's financial background and credit checks (including but not limited to financial position, identity and background, credit status, collaterals (if any), guarantors (if any)) before loans are granted. The business department of the Group makes decisions on whether to grant loans within the Credit Committee's scope of authorisation or approves loan applications beyond the scope of authorisation submitted to the Credit Committee. For small loan business with a single loan amount of no more than RMB500,000, the Credit Committee has set up a loan policy and developed proprietary product procedures, and used information technology to conduct information collection, intelligent preliminary review, manual online review and approval, so as to improve efficiency.

In terms of credit monitoring, the risk control department will perform sample check on the loan files to ensure that loan approval procedures are strictly complied with and documentations are properly recorded. For loans with collateral, the Credit Committee will identify possible irregularities in the credit quality of the loan portfolio. If the collateral ratio, if applicable, is increased to or above a pre-determined accepted level, the borrower may be required to deposit additional collateral or partially repay the outstanding loan balance in order to bring the collateral ratio below the accepted level.

In cases where the borrower requests a restructuring of the repayment schedule, approval has to be obtained from the Credit Committee on a case-by-case basis. The approved restructured loans will be monitored on an on-going basis and reviewed by the risk control department to ensure timely repayment.

Impairment review has been performed by management to assess impairment loss on loans receivable from customers. Below sets out the details of the assessment model adopted by the Group:

Management would assess the following variables when performing impairment review:

(1) Probability of Default;

(2) Loss Given Default (the "LGD") i.e. the magnitude of the loss if there is a default; and

(3) Exposure at Default.

The assessment of the probability of default and LGD is based on historical data adjusted by forward-looking information.

## PROVISION OF FINANCIAL SERVICES *(continued)*

### (ii) Loans receivable

The Group applies a general approach in measuring loss allowance for ECL on loans receivable.

In assessing default risk of loan receivables, the following factors have been taken into consideration:

(1) the borrower's repayment ability, including the borrower's cash flow, financial condition, non-financial factors that affect the repayment ability;

(2) the borrower's repayment records, including the borrower's repayment records with financial institutions such as banks;

(3) the borrower's willingness to repay;

(4) the validity of debt guarantees;

(5) the legal liability for debt repayment;

(6) internal risk management (if the client is a corporate client);

(7) overdue time; and

(8) the condition of the collateral.

Management classifies the risk levels of the loan receivables based on the following:

Stage 1: For exposures where there have not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.

Stage 2: For exposures where there have been a significant increase in credit risk since initial recognition but are not credit-impaired. Below are indicators of significant increase in credit risks:

(a) No delay in repayment of loan by borrower. However, there are some difficulties that may adversely affect repayment ability;

(b) Collateral ratio (if any) have reached alarming level; and

(c) Responsiveness to the Group's request.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Below are events indicating that the balance is credit-impaired:

(a) Borrowers' ability to repay their loans is significantly impaired. The Group makes liquidation call to borrowers to liquidate their securities collateral (if any) to settle the outstanding balances;

(b) The borrower is not responsive to the Group's request; and

(c) The Group loses contact with the borrowers.

## PROVISION OF FINANCIAL SERVICES *(continued)*

### (ii) Loans receivable *(continued)*

Based on the above impairment assessment, the following tables set out further details and circumstances of the top six clients with the highest amounts of the 2023 Impairments (the "2023 Relevant Clients") during the year ended 31 December 2023:

| | Name of the 2023 Relevant Client | Relationship (either existing or prior) with the Company and its connected person | Principal business engaged by the 2023 Relevant Client | Means of introduction to the Group | Type of loan | Term of the loan | Maturity date | Principal amount *(RMB)* | Interest rate |
|---|---|---|---|---|---|---|---|---|---|
| 1. | 2023 Relevant Client 1 | Independent third party | Executive | Referral | Collateral-backed and guaranteed loan | 8.5 months | 31 December 2022 | 2,920,000 | 12% |
| 2. | 2023 Relevant Client 2 | Independent third party | Executive | Referral | Collateral-backed and guaranteed loan | 8.5 months | 31 December 2022 | 2,910,000 | 12% |
| 3. | 2023 Relevant Client 3 | Independent third party | Executive | Referral | Collateral-backed and guaranteed loan | 8.5 months | 31 December 2022 | 2,900,000 | 12% |
| 4. | 2023 Relevant Client 4 | Independent third party | Executive | Referral | Collateral-backed and guaranteed loan | 8.5 months | 31 December 2022 | 2,870,000 | 12% |
| 5. | 2023 Relevant Client 5 | Independent third party | Executive | Referral | Collateral-backed and guaranteed loan | 8.5 months | 31 December 2022 | 2,800,000 | 12% |
| 6. | 2023 Relevant Client 6 | Independent third party | Executive | Referral | Collateral-backed and guaranteed loan | 8.5 months | 31 December 2022 | 2,800,000 | 12% |

## PROVISION OF FINANCIAL SERVICES *(continued)*

### (ii) Loans receivable *(continued)*

| | Name of the 2023 Relevant Client | Outstanding amount as at 31 December 2023 *(RMB)* | Amount of the 2023 Impairments during the year ended 31 December 2023 *(RMB)* | Classification in the Group's accounts (including both principal and interest) | Guarantee/security | Due diligence performed by the Group | Reasons for the 2023 Impairments |
|---|---|---|---|---|---|---|---|
| 1. | 2023 Relevant Client 1 | 2,920,000 | 1,431,000 | Loan receivable | The 2023 Relevant Client 1 pledged receivables with a market value of approximately RMB6,424,000 as at 31 December 2023 | Full know your client ("KYC") procedures including obtaining identity information, address, guarantor, assets to be pledged, etc. | When the 2023 Relevant Client 1 failed to repay the loan upon maturity in December 2022 and did not repay as at 31 December 2023 |
| 2. | 2023 Relevant Client 2 | 2,910,000 | 1,426,000 | Loan receivable | The 2023 Relevant Client 2 pledged receivables with a market value of approximately RMB6,402,000 as at 31 December 2023 | Full KYC procedures including obtaining identity information, address, guarantor, assets to be pledged, etc. | When the 2023 Relevant Client 2 failed to repay the loan upon maturity in December 2022 and did not repay as at 31 December 2023 |
| 3. | 2023 Relevant Client 3 | 2,900,000 | 1,421,000 | Loan receivable | The 2023 Relevant Client 3 pledged receivables with a market value of approximately RMB6,380,000 as at 31 December 2023 | Full KYC procedures including obtaining identity information, address, guarantor, assets to be pledged, etc. | When the 2023 Relevant Client 3 failed to repay the loan upon maturity in December 2022 and did not repay as at 31 December 2023 |
| 4. | 2023 Relevant Client 4 | 2,870,000 | 1,406,000 | Loan receivable | The 2023 Relevant Client 4 pledged receivables with a market value of approximately RMB6,314,000 as at 31 December 2023 | Full KYC procedures including obtaining identity information, address, guarantor, assets to be pledged, etc. | When the 2023 Relevant Client 4 failed to repay the loan upon maturity in December 2022 and did not repay as at 31 December 2023 |
| 5. | 2023 Relevant Client 5 | 2,800,000 | 1,372,000 | Loan receivable | The 2023 Relevant Client 5 pledged receivables with a market value of approximately RMB6,160,000 as at 31 December 2023 | Full KYC procedures including obtaining identity information, address, guarantor, assets to be pledged, etc. | When the 2023 Relevant Client 5 failed to repay the loan upon maturity in December 2022 and did not repay as at 31 December 2023 |
| 6. | 2023 Relevant Client 6 | 2,800,000 | 1,372,000 | Loan receivable | The 2023 Relevant Client 6 pledged receivables with a market value of approximately RMB6,160,000 as at 31 December 2023 | Full KYC procedures including obtaining identity information, address, guarantor, assets to be pledged, etc. | When the 2023 Relevant Client 6 failed to repay the loan upon maturity in December 2022 and did not repay as at 31 December 2023 |

## PROVISION OF FINANCIAL SERVICES *(continued)*

### (ii) Loans receivable *(continued)*

| | Name of the 2023 Relevant Client | The Group's assessment and monitoring on credit risk |
|---|---|---|
| 1. | 2023 Relevant Client 1 | The Group has considered to issue a demand letter to demand immediate repayment of the principal and interest of the loan. In February 2024, the 2023 Relevant Client 1 has repaid all of the outstanding loan amount. |
| 2. | 2023 Relevant Client 2 | The Group has considered to issue a demand letter to demand immediate repayment of the principal and interest of the loan. In February 2024, the 2023 Relevant Client 2 has repaid all of the outstanding loan amount. |
| 3. | 2023 Relevant Client 3 | The Group has considered to issue a demand letter to demand immediate repayment of the principal and interest of the loan. In February 2024, the 2023 Relevant Client 3 has repaid all of the outstanding loan amount. |
| 4. | 2023 Relevant Client 4 | The Group has considered to issue a demand letter to demand immediate repayment of the principal and interest of the loan. In February 2024, the 2023 Relevant Client 4 has repaid all of the outstanding loan amount. |
| 5. | 2023 Relevant Client 5 | The Group has considered to issue a demand letter to demand immediate repayment of the principal and interest of the loan. In February 2024, the 2023 Relevant Client 5 has repaid all of the outstanding loan amount. |
| 6. | 2023 Relevant Client 6 | The Group has considered to issue a demand letter to demand immediate repayment of the principal and interest of the loan. In February 2024, the 2023 Relevant Client 6 has repaid all of the outstanding loan amount. |

## PROVISION OF FINANCIAL SERVICES *(continued)*

### (ii) Loans receivable *(continued)*

Based on the above impairment assessment, the following tables set out further details and circumstances of the top six clients with the highest amounts of the 2022 Impairments (the "2022 Relevant Clients") during the year ended 31 December 2022:

| | Name of the 2022 Relevant Client | Relationship (either existing or prior) with the Company and its connected person | Principal business engaged by the 2022 Relevant Client | Means of introduction to the Group | Type of loan | Term of the loan | Maturity date | Principal amount *(RMB)* | Interest rate |
|---|---|---|---|---|---|---|---|---|---|
| 1. | 2022 Relevant Client 1 | Independent third party | Information Services | By referral | Credit loan | 6 months | 19 June 2018 | 3,000,000 | 15% p.a. |
| 2. | 2022 Relevant Client 2 | Independent third party | Landscape greening | By referral | Credit loan | 12 months | 16 December 2021 | 1,254,000 | 12% p.a. |
| 3. | 2022 Relevant Client 3 (an individual) | Independent third party | Executive | By referral | Collateral-backed loan | 36 months | 6 February 2022 | 3,000,000 | 9% p.a. |
| 4. | 2022 Relevant Client 4 (an individual) | Independent third party | Executive | By referral | Guaranteed loan | 12 months | 9 September 2020 | 900,000 | 10% p.a. |
| 5. | 2022 Relevant Client 5 (an individual) | Independent third party | Executive | By referral | Collateral-backed loan | 36 months | 18 September 2021 | 3,000,000 | 9% p.a. |
| 6. | 2022 Relevant Client 6 (an individual) | Independent third party | Executive | By referral | Collateral-backed loan | 36 months | 19 September 2021 | 3,000,000 | 9% p.a. |

## PROVISION OF FINANCIAL SERVICES *(continued)*

### (ii) Loans receivable *(continued)*

| | Name of the 2022 Relevant Client | Outstanding amount as at 31 December 2022 *(RMB)* | Amount of the 2022 Impairments during the year ended 31 December 2022 *(RMB)* | Classification in the Group's accounts (including both principal and interest) | Guarantee/security | Due diligence performed by the Group | Reasons for the 2022 Impairments |
|---|---|---|---|---|---|---|---|
| 1. | 2022 Relevant Client 1 | 3,000,000 | 1,470,000 | Loan receivable | Jewelry and accessory with market value of RMB4,000,000 as at December 2017 | Full KYC procedures including obtaining financial information, business registration information, address proof, etc. | When Relevant Client 1 failed to repay the loan upon maturity in June 2018 and did not repay as at 31 December 2022 |
| 2. | 2022 Relevant Client 2 | 1,254,000 | 614,000 | Loan receivable | – | Full KYC procedures including obtaining financial information, business registration information, address proof, etc. | When Relevant Client 2 failed to repay the loan upon maturity in December 2022 and did not repay as at 31 December 2022 |
| 3. | 2022 Relevant Client 3 (an individual) | 3,000,000 | 1,470,000 | Loan receivable | Pledged a property located in the PRC with a market value of approximately RMB4,500,000 as at 31 December 2022 | Full KYC procedures including obtaining information as to source and amount of income, ID copy, address proof, property ownership certificate to be pledged, etc. | When Relevant Client 3 failed to repay the loan upon maturity in February 2022 and did not repay as at 31 December 2022 |
| 4. | 2022 Relevant Client 4 (an individual) | 900,000 | 225,000 | Loan receivable | – | Full KYC procedures including obtaining information as to source and amount of income, ID copy, address proof | When Relevant Client 4 failed to repay the loan upon maturity in September 2020 and did not repay as at 31 December 2022 |
| 5. | 2022 Relevant Client 5 (an individual) | 3,000,000 | 750,000 | Loan receivable | Pledged a property located in the PRC with a market value of approximately RMB3,650,000 as at 31 December 2022 | Full KYC procedures including obtaining information as to source and amount of income, ID copy, address proof, property ownership certificate to be pledged, etc. | When Relevant Client 5 failed to repay the loan upon maturity in September 2021 and did not repay as at 31 December 2022 |
| 6. | 2022 Relevant Client 6 (an individual) | 3,000,000 | 750,000 | Loan receivable | Pledged a property located in the PRC with a market value of approximately RMB3,650,000 as at 31 December 2022 | Full KYC procedures including obtaining information as to source and amount of income, ID copy, address proof, property ownership certificate to be pledged, etc. | When Relevant Client 6 failed to repay the loan upon maturity in September 2021 and did not repay as at 31 December 2022 |

## PROVISION OF FINANCIAL SERVICES *(continued)*

### (ii) Loans receivable *(continued)*

| | Name of the 2022 Relevant Client | The Group's assessment and monitoring on credit risk |
|---|---|---|
| 1. | 2022 Relevant Client 1 | Taking into account the current financial position and business development of Relevant Client 1, the Group rejected the extension application of Relevant Client 1 and issued a litigation to demand immediate repayment of the principal and interest of the loan, and the court has confirmed the Group's equity and amount. The Group is trying to dispose of the pledged asset. |
| 2. | 2022 Relevant Client 2 | Taking into account the current financial position and business development of Relevant Client 2, the Group rejected the extension application of Relevant Client 2 and issued a demand letter to demand immediate repayment of the principal and interest of the loan. In February 2023, Relevant Client 2 repaid all of the outstanding loan amount. |
| 3. | 2022 Relevant Client 3 | The Group is currently considering to issue demand letters to it and the collateral owners and engage legal advisers to take further legal actions such as litigation and property preservation to recover the loans. Relevant Client 3 has provided property pledge, despite the recent sign of decline in value of properties in the real estate market, Relevant Client 3 has not been included in the list of dishonest persons subject to enforcement, and no other right holders have raised claims on the pledged property. The Group believed that the loan may suffer certain losses but still has recoverability, and the risk level is at the stage 3. Negotiation of the repayment method is still in progress. |
| 4. | 2022 Relevant Client 4 | The Group is currently considering to issue demand letters to it and engage legal advisers to take further legal actions such as litigation and property preservation to recover the loans. Client 4 repaid partial principal and interest of the loan before the extension of the loan and is now able to pay the interest monthly. Client 4 has not been included in the list of dishonest persons subject to enforcement, the Group believed that the loan may suffer certain losses but still has recoverability, and the risk level is at the stage 3. Client 4 has repaid the principal of RMB500,000 since 1 January 2023, only small portion of principal is outstanding. |
| 5. | 2022 Relevant Client 5 | The Group is currently considering to issue demand letters to it and the collateral owners and engage legal advisers to take further legal actions such as litigation and property preservation to recover the loans. Relevant Client E has provided property pledge, despite the recent sign of decline in value of properties in the real estate market, Relevant Client E has not been included in the list of dishonest persons subject to enforcement, and no other right holders have raised claims on the pledged property. The Group believed that the loan may suffer certain losses but still has recoverability, and the risk level is at the stage 3. Negotiation of the repayment method is still in progress. |

## PROVISION OF FINANCIAL SERVICES *(continued)*

### (ii) Loans receivable *(continued)*

| | Name of the 2022 Relevant Client | The Group's assessment and monitoring on credit risk |
|---|---|---|
| 6. | 2022 Relevant Client 6 | The Group is currently considering to issue demand letters to it and the collateral owners and engage legal advisers to take further legal actions such as litigation and property preservation to recover the loans. Relevant Client F has provided property pledge, despite the recent sign of decline in value of properties in the real estate market, Relevant Client F has not been included in the list of dishonest persons subject to enforcement, and no other right holders have raised claims on the pledged property. The Group believed that the loan may suffer certain losses but still has recoverability, and the risk level is at the stage 3. Negotiation of the repayment method is still in progress. |

Although the 2023 Impairments were made during the year ended 31 December 2023 and the 2022 Impairments were made during the year ended 31 December 2022, the Group reserves its rights to take all necessary measures to recover such outstanding amounts due from the Relevant Clients to safeguard the interests of the Group and the shareholders of the Company.

## HEALTH MANAGEMENT SERVICES

With the acquisition of 北京鷹之眼智能健康科技有限公司 (Beijing Eagle Eye Intelligent Health Technology Co., Ltd.*) ("Beijing Eagle Eye") at the end of 2023, the Group has stepped into the Digital and Intelligent Traditional Chinese Medicine (DI-TCM) health management business and the business is expected to start to generate revenue in 2024.

## RESULTS OF OPERATIONS

### Revenue

The revenue of the Group decreased by approximately 14.6% from approximately RMB555,727,000 for the year ended 31 December 2022 to approximately RMB474,793,000 for the year ended 31 December 2023. The decrease was due to the decrease in revenue from sales of electricity.

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

The Group's revenue from sales of electricity decreased by approximately 25.8% from approximately RMB385,695,000 for the year ended 31 December 2022 to approximately RMB286,256,000 for the year ended 31 December 2023 due to the decrease in aggregate volume of electricity generated by the Group's grid-connected solar power plants as a results of the disposal of subsidiaries. The solar power plants owned by the Group generated electricity in an aggregate volume of 401,352 MWh for the year ended 31 December 2023, representing a decrease of approximately 21.6% as compared to 511,840 MWh for the year ended 31 December 2022.

The Group's revenue from provision of solar power plant operation and maintenance services increased by approximately 4.2% from approximately RMB116,991,000 for the year ended 31 December 2022 to approximately RMB121,856,000 for the year ended 31 December 2023 mainly due to the commencement of certain solar power plant operation and maintenance services contracts.

## RESULTS OF OPERATIONS *(continued)*

### Revenue from provision of financial services

The Groups' revenue from provision of financial services increased by approximately 25.7% from approximately RMB53,041,000 for the year ended 31 December 2022 to approximately RMB66,681,000 for the year ended 31 December 2023 due to more loans have been made to customers during the year.

### Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 17.9% from approximately RMB267,689,000 for the year ended 31 December 2022 to approximately RMB219,648,000 for the year ended 31 December 2023. The gross profit margin of the Group decreased from approximately 48.2% for the year ended 31 December 2022 to approximately 46.3% for the year ended 31 December 2023 mainly due to the increase in portion of revenue from provision of solar power plant operation and maintenance services, which has a lower gross profit margin than that of the revenue from sales of electricity during the year ended 31 December 2023.

### Other gains/(losses), net

The other gains/(losses), net of the Group changed from net losses of approximately RMB19,758,000 for the year ended 31 December 2022 to net gains of approximately RMB30,295,000 for the year ended 31 December 2023. The change was mainly due to (i) the increase in interest income from a former subsidiary and an associate of approximately RMB17,146,000; (ii) the increase in dividend income from financial assets measured of fair value through other comprehensive income of approximately RMB20,250,000; and (iii) the decrease of solar power plant rectification expense of approximately RMB28,537,000, offset by (i) the decrease in rental income of approximately RMB10,809,000; and (ii) the increase in write-off of other receivables of approximately RMB7,326,000.

### Administrative expenses

Administrative expenses of the Group increased by approximately 15.8% from approximately RMB167,011,000 for the year ended 31 December 2022 to approximately RMB193,473,000 for the year ended 31 December 2023. The increase was mainly attributable to the increase in total employee benefit expenses of approximately RMB54,189,000 during the year ended 31 December 2023.

### Losses on disposal of subsidiaries, net

During the year ended 31 December 2023, the Group disposed of certain subsidiaries and recorded net losses on disposal of subsidiaries of approximately RMB33,770,000 (2022: RMB8,587,000). For details, please refer to note 44 to the financial statements in this report.

### Impairment loss on a solar power plant

During the year ended 31 December 2022, impairment loss of approximately RMB28,029,000 on a solar power plant was recognised as a result of the impairment test performed on certain completed solar power plant. No such amount was recorded during the year ended 31 December 2023.

## RESULTS OF OPERATIONS *(continued)*

### Impairment losses on a disposal group classified as held for sale

On 11 August 2023, the Group entered into sale and purchase agreements with an independent third party to dispose of the entire equity interests in four solar power projects in the PRC, for a total equity consideration of approximately RMB350,179,000.

An impairment loss of approximately RMB61,444,000, representing the sale proceeds less the carrying amount of the net assets as at 31 December 2023 of 黃石黃源光伏電力開發有限公司 (Huangshi Huangyuan Photovoltaic Power Development Limited*) ("Huangshi Huangyuan"), 定邊縣晶陽電力有限公司 (Dingbian Jingyang Electricity Limited*) ("Dingbian Jingyang"), 定邊縣萬和順新能源發電有限公司 (Dingbian Wanheshun New Energy Power Generation Limited*) ("Dingbian Wanheshun") and 榆林正信電力有限公司 (Yulin Zhengxin Electricity Limited*) ("Yulin Zhengxin"), the disposals of which have not been taken place as at 31 December 2023, was charged to profit or loss during the year ended 31 December 2023.

No such amount was recorded for the year ended 31 December 2022.

### Impairment losses on trade and other receivables, net

During the year ended 31 December 2023, impairment losses of approximately RMB156,276,000 (2022: RMB135,411,000) on trade and other receivables, net was recorded based on the lifetime expected credit losses.

### Finance costs

Finance costs of the Group decreased by approximately 11.7% from approximately RMB186,081,000 for the year ended 31 December 2022 to approximately RMB164,240,000 for the year ended 31 December 2023, which was mainly due to the decrease in finance costs related to borrowings as the Group's loans and borrowings decreased during the year ended 31 December 2023.

### Impairment loss on goodwill

During the year ended 31 December 2023, impairment loss of approximately RMB4,019,000 on goodwill was recorded as a result of the impairment test performed in respect of the newly acquired health management services business.

### Solar power plants

As at 31 December 2023, the Group had a net carrying amount of approximately RMB939,706,000 (2022: RMB2,049,134,000) and approximately RMB3,390,000 (2022: RMB3,390,000) in completed solar power plants and solar power plants under construction, respectively. As at 31 December 2023, the Group had a total of 290 MW (2022: 359.8 MW) installed capacity of completed solar power plants.

### Interest in associates

As at 31 December 2023, the net carrying amount of associates was approximately RMB218,533,000 (2022: RMB180,448,000).

### Interest in joint ventures

As at 31 December 2023, the net carrying amount of joint ventures was approximately RMB209,748,000 (2022: RMB193,710,000).

## RESULTS OF OPERATIONS *(continued)*

### Goodwill

As at 31 December 2022, the Group had a total amount of approximately RMB547,000 in respect of goodwill on the acquisition of subsidiaries in previous years. No such amount was recorded for the year ended 31 December 2023.

### Right-of-use Assets

As at 31 December 2023, the right-of-use assets amounted to approximately RMB127,197,000 (2022: RMB157,292,000). The decrease is mainly contributed by the disposals of subsidiaries during the year ended 31 December 2023.

### Financial assets measured of fair value through other comprehensive income

Financial assets measured of fair value through other comprehensive income decreased by approximately 21.6% from approximately RMB760,194,000 as at 31 December 2022 to approximately RMB595,942,000 as at 31 December 2023. The decrease is mainly due to fair value loss which amounted to approximately RMB164,252,000. The investments are held for long-term investment purpose and hence are classified as financial assets measured at fair value through other comprehensive income in the consolidated statement of financial position. For details, please refer to note 23 to the financial statements in this report.

### Loans to an associate

As at 31 December 2023, the Group had a loans to an associate of approximately RMB125,498,000 (2022: RMB121,400,000). The Group entered into a loan agreement with an associate, 江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*) on 11 November 2022 for a loan period of 3 years. The loan is unsecured and interest-bearing, which carries interest rate of 9.0% per annum.

### Trade, bills and other receivables

Trade, bills and other receivables decreased by approximately 12.5% from approximately RMB2,200,899,000 as at 31 December 2022 to approximately RMB1,925,878,000 as at 31 December 2023. The decrease was mainly due to disposals of subsidiaries during the year ended 31 December 2023.

### Trade and Other Payables

Trade and other payables increased by approximately 73.0% from approximately RMB386,433,000 as at 31 December 2022 to approximately RMB668,397,000 as at 31 December 2023. The increase was mainly due to disposals of subsidiaries during the year ended 31 December 2023, in which an amount due to previous subsidiaries become other payable of the Group after the disposals.

### Liquidity and Capital Resources

As at 31 December 2023, cash and cash equivalents of the Group was approximately RMB254,778,000 (2022: RMB301,979,000), which included an amount of bank balances of approximately RMB244,839,000 (2022: RMB299,525,000) 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 2023, the Group's net debt ratio (or gearing ratio), which was calculated by the total loans and borrowings and corporate bonds minus total cash and cash equivalents, over total equity, was approximately 0.48 (2022: 0.52).

## RESULTS OF OPERATIONS *(continued)*

### Capital Expenditure

During the year ended 31 December 2023, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB906,000 (2022: RMB2,942,000) and approximately RMB1,279,000 (2022: RMB87,040,000), respectively.

### Loans and Borrowings

As at 31 December 2023, the Group's total loans and borrowings was approximately RMB1,659,216,000 representing a decrease of approximately 18.4% compared to approximately RMB2,034,419,000 as at 31 December 2022. The decrease in the Group's total loans and borrowings was mainly due to disposals of subsidiaries, whereby the loans and borrowings of these subsidiaries were excluded from the Group upon their disposals. 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 2023, loans and borrowings of approximately RMB1,172,530,000 (2022: RMB1,567,241,000) and approximately RMB486,686,000 (2022: RMB467,178,000) bear fixed interest rate and floating interest rate, respectively.

As at 31 December 2023, out of the total borrowings, approximately RMB1,026,803,000 (2022: RMB392,671,000) was repayable within one year and approximately RMB632,413,000 (2022: RMB1,641,748,000) was repayable after one year. For details, please refer to note 31 to the financial statements in this report.

### Corporate bonds

As at 31 December 2023, corporate bonds denominated in Hong Kong dollar with an aggregate principal amount of HK$19,000,000 (equivalent to approximately RMB17,218,000) (2022: HK$19,000,000 (equivalent to approximately RMB16,972,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 6% (2022: 3% to 6%) per annum, and will mature on the date immediately following 36 to 96 months (2022: 36 to 96 months) after their issuance.

During the year ended 31 December 2023 and 2022, the Group did not issue any corporate bonds.

During the year ended 31 December 2023, the Group did not repay any corporate bonds. During the year ended 31 December 2022, the Group repaid HK$83,000,000 (equivalent to approximately RMB71,289,000) 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 at 10.40% (2022:10.40%) per annum. Imputed interest of approximately HK$785,000 (equivalent to approximately RMB707,000) (2022: HK$2,432,000 (equivalent to approximately RMB2,089,000)) (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 2023.

### Lease Liabilities

As at 31 December 2023, the lease liabilities amounted to approximately RMB147,299,000 (2022: RMB129,983,000). The increase is mainly contributed by the acquisition of subsidiaries during the year ended 31 December 2023.

## RESULTS OF OPERATIONS *(continued)*

### Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the year ended 31 December 2023, 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 2023, the Group had charged solar power plants, trade receivables and unlisted equity investments with net book value of approximately RMB382,345,000 (2022: RMB998,866,000), approximately RMB300,336,000 (2022: RMB439,125,000) and approximately RMB129,543,000 (2022: RMB276,626,000), respectively, to secure bank loans and other loans facilities granted to the Group.

Save as disclosed above and in note 31 to the financial statements in this report, as at 31 December 2023, the Group had 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. Therefore, these subsidiaries may be subject to fines or other adverse consequences imposed by the relevant PRC government authorities in the future. The relevant PRC government authorities are currently conducting nationwide inspections on matters such as compliance of equity transfer of solar power plants and full grid-connected power generation time. The Group will actively cooperate with the relevant PRC government authorities in inspections if necessary and assess the impact of the inspection results on the development of the Group's solar power plants in a timely manner.

Save as disclosed above, as at 31 December 2022 and 2023, the Group has no other significant contingent liabilities.

## RESULTS OF OPERATIONS *(continued)*

### Employees and Remuneration Policy

As at 31 December 2023, the Group had approximately 1,375 (2022: 769) employees 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 2023, the total employee benefit expenses (including directors' emoluments) were approximately RMB234,962,000 (2022: RMB173,094,000). For details, please refer to note 10 in 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, and when occasion requires.

## SIGNIFICANT INVESTMENTS

During the year ended 31 December 2023 and as at 31 December 2023, the Group did not have any significant investments with a value of 5% more of the Company's total assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

On 11 August 2023, the Group entered into six equity transfer agreements with 新華電力發展投資有限公司 (Xinhua Electricity Development Investment Limited*) to dispose of the entire equity interests in the following six subsidiaries engaged in solar power generation in the PRC: (i) Dingbian Wanheshun, (ii) Huangshi Huangyuan, (iii) Yulin Zhengxin, (iv) 嵊州懿暉光伏發電有限公司 (Shengzhou Yihui Photovoltaic Power Generation Limited*) ("Shengzhou Yihui"), (v) Dingbian Jingyang and (vi) 定邊縣智信達新能源有限公司 (Dingbian County Zhixinda New Energy Limited*) ("Dingbian County Zhixinda"), for a total consideration of approximately RMB758,028,000. The disposals constituted a very substantial disposal of the Company under Chapter 14 of the Listing Rules and was approved by the Company's shareholders on 20 September 2023. The disposals of the entire equity interest in Shengzhou Yihui and Dingbian Country Zhixinda were completed on 18 October 2023 and 20 October 2023 respectively. Details of the disposals are set out in the Company's announcement dated 11 August 2023 and the Company's circular dated 31 August 2023.

On 28 December 2023, the Group entered into an equity transfer agreement with 江山金投控股有限公司 (Jiangshan Financial Investment Holdings Co., Ltd.*) in relation to the acquisition of 69.45% equity interest in Beijing Eagle Eye for a total consideration of RMB6,000,000 (the "Beijing Eagle Eye Acquisition"). Beijing Eagle Eye is a national high-tech enterprise focusing on digital Chinese medicine full life cycle health management services and the construction and operation of a comprehensive health ecosystem. The Beijing Eagle Eye Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and was completed on 29 December 2023. For details of the Beijing Eagle Eye Acquisition, please refer to the Company's announcement dated 28 December 2023.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES *(continued)*

On 25 March 2022, the Group entered into sale and purchase agreements with an independent third party to dispose the entire equity interest in 濟源大峪江山光伏發電有限公司(Jiyuan Dayu Jiangshan Photovoltaic Power Generation Limited*)("Jiyuan Dayu") and 50% equity interest in 寶豐縣鑫泰光伏電力科技開發有限公司(Baofeng Xintai Photovoltaic Power Technology Development Limited*) ("Baofeng Xintai"), for a total consideration of approximately RMB118,675,000. The disposals of the entire equity interest in Jiyuan Dayu and 50% equity interest in Baofeng Xintai were completed on 27 June 2022 and 30 June 2022 respectively. Details of the disposals are set out in the Company's announcement dated 25 March 2022 and the Company's circular dated 19 May 2022.

On 11 November 2022, the Group entered into a partnership agreement in relation to the formation of the limited partnership 北京紅楓新能源合夥企業（有限合夥）(Beijing Hongfeng New Energy Investment Partnership (Limited Partnership)*). Details are set out in the Company's announcement dated 11 November 2022.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, joint ventures and associated companies by the Company during the year ended 31 December 2023 and 2022.

## FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently has no definite plans for material investments and capital assets as at the date of this report.

## PROSPECT

The demand for renewable energy generation in major markets around the world remained strong in 2023. Over 100 countries pledged at the United Nations Climate Change Conference (COP28) to double the world's installed capacity of renewable energy by 2030. With the significant decrease in the cost of solar power generation equipment, the global solar power generation industry is expected to continue its rapid development trend.

In 2023, benefiting from the policy support from all levels of the Chinese government and declining investment costs, China's clean energy industry continued to develop steadily, and the solar power generation industry grew rapidly as the installed capacity continued to expand. According to the data released by the National Energy Administration, in 2023, China's newly installed solar power generation capacity was 216.30 million KW, and the cumulative installed capacity was 610 million KW, surpassing hydropower to become the second largest power source in terms of installed capacity in China.

Looking forward, the Group will continue the strategies on the operation of solar power plants, optimize asset allocation efficiency and step up to improve the efficiency of the equipment at the power stations, continue to develop its green finance and inclusive finance business, meanwhile accelerate its pace in the diversified development of the medical and health sector, strive to improve the Group's operation structure and operating results, so as to maximize the return of the assets and value for the shareholders.

## EXECUTIVE DIRECTOR

**Mr. Xian He（咸鶴）**

aged 36, was appointed as an executive Director and authorised representative of the Company on 25 November 2022. Mr. Xian joined the Group as manager of the president's office in May 2014. Since then, he worked in various positions in the Group. Currently, Mr. Xian is a director of approximately 33 subsidiaries of the Company, including the following subsidiaries: 江山新能源投資（揚州）有限公司 (Kong Sun New Energy Investment (Yangzhou) Limited*), 江山永泰投資控股有限公司 (Kong Sun Yongtai Investment Holdings Limited*), 廣州寶乾互聯網小額貸款有限公司 (Guangzhou Baoqian Internet Microfinance Limited*), 揚州啓星新能源發展有限公司 (Yangzhou Qixing New Energy Development Limited*) and 江山永暉能源科技有限公司 (Jiangshan Yonghui Energy Technology Limited*). He is also the senior vice president of the Company. Mr. Xian has over 12 years of experience in corporate management. He obtained a bachelor degree in automation in Central South University（中南大學）in 2010.

## NON-EXECUTIVE DIRECTOR

**Mr. Jiang Hengwen（蔣恆文）**

aged 55, was appointed as a non-executive Director and the chairman of the board of Directors of the Company on 26 August 2019 and 25 November 2022, respectively. Mr. Jiang has extensive experience in overseas investment and finance and securities industries. Mr. Jiang served as the managing vice president of 湖南省優金商務諮詢有限公司 (Hunan Youjin Business Consulting Co., Ltd.*), the senior analyst of the fund department of RBC Global Asset Management Inc. and the manager of the investment department of 湖南省金帆投資（集團）公司 (Hunan Jinfan Investment (Group) Co., Ltd.*). Mr. Jiang obtained a bachelor's degree in international finance from the School of 對外經濟貿易大學中國金融學院 (Banking and Finance, University of International Business and Economics*) in the PRC and a master degree from John Molson School of Business in Canada.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Tang Yinghong（唐映紅）**

aged 59, was appointed as an independent non-executive Director of the Company on 8 November 2022. Ms. Tang has over 35 years of legal experience. Ms. Tang is currently a vice professor in the faculty of law of 湖南師範大學 (Hunan Normal University). Ms Tang obtained a bachelor degree in law in 湘潭大學 (Xiangtan University) and master of law in Hunan Normal University.

**Ms. Wu Wennan（吳文楠）**

aged 55, 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) and China Huiyuan Juice Group Limited (Stock Code: 1886), both are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Ms. Wu also served as 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.

**Mr. Xu Xiang（徐祥）**
aged 32, was appointed as an independent non-executive Director of the Company on 1 March 2021. Mr. Xu obtained a bachelor's degree in accountancy in 2014 from the Inner Mongolia University of Finance and Economics in the PRC. Mr. Xu has extensive experience in financial management and investment. From 2018 to 2020, he worked as a financial consultant in Manpower Services (Hong Kong) Limited. He also worked as a finance manager in an information technology company in the PRC from 2014 to 2017.

## SENIOR MANAGEMENT

**Mr. Ching Kin Wai（陳健威）**
aged 37, was appointed as the company secretary and the authorised representative of the Company on 24 July 2020. Mr. Ching joined the Group in November 2018 as finance manager. Mr. Ching obtained his undergraduate degree in accountancy from City University of Hong Kong in 2009. Mr. Ching has over 13 years of professional experience in auditing and financial management. He has been a member of the Hong Kong Institute of Certified Public Accountants since July 2013.

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 2023.

## 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 and asset management, and construction of Digital and Intelligent Traditional Chinese Medicine (DI-TCM) health management and service system and provision of DI-TCM diagnosis and treatment equipment.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on page 95.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

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

### Dividend Policy

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

(i) financial results;

(ii) shareholders' interests;

(iii) general business conditions and strategies;

(iv) capital requirements;

(v) taxation considerations;

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

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

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

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

## RESULTS AND DIVIDEND *(continued)*

### Dividend Policy *(continued)*

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

On 29 January 2024, the Group entered into sale and purchase agreements with 北京億鑫豐泰科技合夥企業(有限合夥)(Beijing Yixin Fengtai Technology Partnership (Limited Partnership)*) to dispose of 60% equity interests in 陝西億潤新能源科技有限公司 (Shaanxi Yirun New Energy Technology Co., Ltd.*) for a total consideration of RMB4,200,000. The transaction was approved by the shareholders at the extraordinary general meeting held on 9 April 2024. The transaction was completed on 17 April 2024.

On 6 March 2024, the Company resolved, to dispose of all the 107,500,000 domestic shares of Bank of Jinzhou Co., Ltd. held by the Group. The disposal was approved by the shareholders at the extraordinary general meeting held on 9 April 2024. Subsequently, the disposal was terminated on 12 April 2024. For details, please refer to the Company's announcement on 21 April 2024.

Save as disclosed above and note 53 to the consolidated financial statements, there are no other material events affecting the Group which have occurred after 31 December 2023 and up to the date of approval 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 27 of this annual report.

## 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 an environmental friendly corporation by saving electricity and encouraging recycling of office supplies and other materials.

During the year ended 31 December 2023, 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 developing 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, ongrid 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. The relevant PRC government authorities carry out inspections on matters such as compliance of equity transfer and the time for full on-grid power connection of solar power plants from time to time. The results of such inspections may affect the tariff subsidies of solar power plants. In order to mitigate such risks, the Company will continue to actively cooperate with the relevant PRC government authorities to review and assess the impact of the results on the development of the Group's solar power plants in a timely manner.

### Business Risk

All of the operating assets and businesses 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. In recent years, the continuous decline in Renminbi interest rates and the intensified competition in the credit industry may further compress the profit margin of the financial business, while the deterioration of economic conditions of customers may lead to credit losses. The Group's diversified businesses are dependent on various factors such as R&D, market expansion and team management, and may not develop as expected. 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 2023 and the financial position of the Group as at that date are set out on pages 95 to 98.

## RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2023 are set out on page 99.

## DISTRIBUTABLE RESERVES

As at 31 December 2023 and 2022, the Company had no reserves available for distribution.

## FINANCIAL SUMMARY

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

## FIXED ASSETS

Details of movements during the year ended 31 December 2023 in the property, plant and equipment, solar power plants, and right-of-use assets 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 2023 and as at that date are set out in note 34 to the financial statements.

## CONNECTED TRANSACTION

During the year ended 31 December 2023, the Group entered into the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 28 December 2023, the Group entered into an equity transfer agreement (the "Beijing Eagle Eye Agreement") with 江山金投控股有限公司 (Jiangshan Financial Investment Holdings Co., Ltd.*) ("Jiangshan Finance") in relation to the acquisition of 69.45% equity interests in Beijing Eagle Eye for a total consideration of RMB6,000,000 (the "Beijing Eagle Eye Acquisition").

The Directors believe that the Beijing Eagle Eye Acquisition will significantly strengthen the Group's diversified development in the medical and health field. It is expected that the Target Company will bring additional operating income to the Group, thereby improving the Group's long-term operation and generating value for the shareholders.

As at 28 December 2023, Mr. Xiang Jun ("Mr. Xiang"), who indirectly owned approximately 76% interest in Jiangshan Finance, held approximately 5.06% of the total issued shares of the Company, and the Company was informed by Mr. Xiang that since Mr. Xiang had confidence in the prospect of the Group, he intended to purchase more shares of the Company, representing not more than 5% of the total issued Shares within 12 months after completion of the Beijing Eagle Eye Acquisition through secondary market purchase, subject to compliance with all applicable laws and regulations, which may render Mr. Xiang a substantial shareholder (as defined in the Listing Rules) of the Company holding 10% or more of the shares of the Company in issue. In light of this, the Company took the view that Mr. Xiang should be deemed as a connected person of the Company under Chapter 14A of the Listing Rules. As a result, the entering into of the Beijing Eagle Eye Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 28 December 2023.

Completion of the Beijing Eagle Eye Acquisition took place on 29 December 2023.

## RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 December 2023 is contained in note 49 to the financial statements.

The Directors confirmed that all such related party transactions do not fall within the definition of "connected transactions" or "continuing connected transactions" or are fully exempted under Chapter 14A of the Listing Rules (as the case may be). The Directors confirmed that they have complied with the disclosure requirements in Chapter 14A of the Listing Rules during the year ended 31 December 2023.

## 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.

## EQUITY-LINKED AGREEMENTS

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.

## CHARITABLE DONATIONS

During the year ended 31 December 2023, the Group made charitable and other donations in an amount of approximately RMB9,000 (2022: RMB5,034,000).

## LOANS AND BORROWINGS AND CORPORATE BONDS

Particulars of loans and borrowings and corporate bonds of the Group as at 31 December 2023 are set out in notes 31 and 32 respectively to the consolidated financial statements.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2023, 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. Xian He
Mr. Wang Shaoyuan *(Resigned on 9 May 2023)*

### Non-executive Director

Mr. Jiang Hengwen *(Chairman)*

### Independent non-executive Directors

Ms. Tang Yinghong
Ms. Wu Wennan
Mr. Xu Xiang

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, each of Mr. Xian He and Ms. Wu Wennan will retire from office by rotation and, being eligible, will offer himself/herself for re-election as Director at the annual general meeting of the Company to be held on Friday, 7 June 2024 (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. The term of service of Mr. Xian He and Ms. Tang Yinghong is three years commencing from 25 November 2022 and 8 November 2022, respectively, and there is no fixed term of service for the remaining Directors. 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 financial 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 determined with reference to the Directors’ duties, responsibilities, performances and the results of the Group and 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 28 to 29.

## DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

There was no transaction, arrangement or 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.

## CONTROLLING SHAREHOLDERS’ INTERESTS IN CONTRACTS

No contracts of significance between the Group and the controlling shareholders of the Company or any of its subsidiaries have been made during the year ended 31 December 2023.

## DIRECTORS’ RIGHTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial 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 is 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 2023.

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

As at 31 December 2023, 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 | Nature of interest | Number of shares held/ interested in | Approximate percentage of shareholding |
|---|---|---|---|
| Xian He | Beneficial owner | 1,650,000 | 0.01% |
| | Interest of spouse[(1)] | 5,475,000 | 0.04% |

Note:

(1) 5,475,000 shares of the Company are held by Ms. He Xiang, who is the wife of Mr. Xian He. Therefore, Mr. Xian He is deemed to be interested in a long position of an aggregate of 5,475,000 Shares held by Ms. He Xiang under the SFO.

Save as disclosed above, as at 31 December 2023, 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 2023, 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[3] | Percentage of shareholding[2] |
|---|---|---|---|
| Miao Yu | Deemed interest in controlled corporation[1] | 4,169,300,000 (L) | 27.86% |
| Prospect Ace Limited | Beneficial owner[1] | 4,169,300,000 (L) | 27.86% |
| Xiang Jun | Beneficial owner | 756,831,000 (L) | 5.06% |

Notes:

(1) Miao Yu owns 100% equity interest of Prospect Ace Limited. Accordingly, Miao Yu is deemed to be interested in a long position of an aggregate of 4,169,300,000 shares held by Prospect Ace Limited.

(2) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2023 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 2023, 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 2023 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 Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). 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 2023 the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss amounted to approximately RMB43,630,000 (2022: RMB28,927,000). The Group has no forfeited contributions from pension schemes which are available to reduce its contributions to its pension schemes in future years.

## DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year under review and up to the date of this report are kept at the Company's registered office and available for inspection by the shareholders of the Company during business hours.

## 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 2023 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, 3 June 2024 to Friday, 7 June 2024 (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, 31 May 2024.

## 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 C1 to 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 2023 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.

As at 31 December 2023 and the date of this report, the composition of the Audit Committee is set out as follows:

Ms. Wu Wennan *(Chairman)*
Ms. Tang Yinghong
Mr. Xu Xiang

## CORPORATE GOVERNANCE

The Company’s corporate governance principles and practices are set out in the Corporate Governance Report on pages 43 to 58 of this annual report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Information on the Company’s implementation of environmental and social responsibilities are set out in the Environmental, Social and Governance report on pages 59 to 88 of this annual report.

## AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 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.

There has been no change in auditors of the Company in any of the preceding three years of 31 December 2023.

## 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 58.3% (2022: 59.4%) of the Group's total sales. The largest customer accounted for approximately 24.5% (2022: 23.7%) of the Group's total sales.

To the best of the knowledge of the Directors, none of the directors, their close associates or substantial shareholders of the Company 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

**Jiang Hengwen**
*Chairman and non-executive Director*

Hong Kong
28 March 2024

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 December 2023.

## 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 CG Code contained in Appendix C1 to the Listing Rules for its corporate governance practices during the year ended 31 December 2023. 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 Part 2 of the CG Code throughout the year ended 31 December 2023.

### Code Provision C.2.1

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

## THE BOARD

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

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

During the year ended 31 December 2023, 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. For details, please refer to the section headed "Mechanisms to ensure Independent Views and Input for the Board" in this Corporate Governance Report. 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 BOARD *(continued)*

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 28 to 29 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 C.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 25 November 2022, Mr. Jiang Hengwen was appointed as the Chairman and the Company did not appoint any CEO. The duties and responsibilities of the CEO are then carried out by the executive Director. The Board will review the management structure regularly and consider the appointment of 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.

## MECHANISMS TO ENSURE INDEPENDENT VIEWS AND INPUT FOR THE BOARD

The Company has established different channels to enable all Directors, including the independent non-executive Directors, to express their opinion in an open and honest manner to the Board and, if necessary, in a confidential manner. All Directors also have separate and independent access to the management of the Group and full and timely access to information of the Company in order to make informed decisions.

The Board may obtain independent views and input through the following mechanisms:

1. The Board should have at least three independent non-executive Directors (or a higher minimum under the Listing Rules), and at least one-third of its members (or a higher minimum under the Listing Rules) should be independent non-executive Directors, such that there is always a strong element of independence on the Board that can effectively exercise independent judgment.

2. The Nomination Committee should strictly comply with the independence assessment criteria for the nomination and appointment of independent non-executive Directors as set out in the Listing Rules;

3. The Nomination Committee is authorised to assess the independence of the independent non-executive Directors annually in accordance with the independence criteria set out in the Listing Rules, so as to ensure that they are able to exercise independent judgment;

4. The independent non-executive Directors are required to provide an annual confirmation of their independence to the Company and to notify the Company as soon as possible of any change in their personal information that may materially affect their independence;

5. All Directors, including the independent non-executive Directors, have the right to seek further information and documents from the management for matters discussed at Board meetings, and, if necessary, may seek independent professional advice at the expense of the Company;

6. All Directors, including the independent non-executive Directors or any of their close associates who have a material interest in any matter to be considered in a meeting should declare their interest before the meeting and abstain from voting on the relevant resolution, and shall not be included in the quorum of the meeting. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the meeting; and

7. The chairman of the Board should hold at least one meeting every year, with the independent non-executive Directors and without the presence of other Directors, to discuss significant matters and any concerns.

The Board conducted an annual review on the implementation and effectiveness of the above mechanisms for the year ended 31 December 2023 to ensure that it can obtain independent views and input, and is of the view that the existing mechanisms remained effective. The Board shall continue to review the implementation and effectiveness of such mechanisms on an annual basis.

## 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 effectiveness of the internal audit function and reports to the Board on any material issues and makes recommendations to the Board.

As at the date of this report, the Audit Committee consisted of three independent non-executive Directors: Ms. Wu Wennan, Ms. Tang Yinghong and Mr. Xu Xiang. Ms. Wu Wennan serves as the chairman of the Audit Committee.

During the year ended 31 December 2023, the Audit Committee held three meetings on 13 January 2023, 30 March 2023 and 31 August 2023. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2022 and for the six months ended 30 June 2023 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 2023, the Audit Committee is also responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties 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 2023.

## 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 E.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.

## REMUNERATION COMMITTEE *(continued)*

As at the date of this report, the Remuneration Committee consisted of three independent non-executive Directors: Mr. Xu Xiang, Ms. Tang Yinghong and Ms. Wu Wennan. Mr. Xu Xiang 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 2023, the Remuneration Committee held two meetings on 30 March 2023 and 9 May 2023. The Remuneration Committee has reviewed and confirmed the Group's overall remuneration policy and structure of the Board.

Pursuant to code provision E.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 2023 is as follows:

| Emolument band | Number of individuals |
|---|---|
| HK$ Nil to HK$1,000,000 | 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.

As at the date of this report, the Nomination Committee consisted of three independent non-executive Directors: Ms. Tang Yinghong, Ms. Wu Wennan and Mr. Xu Xiang. Ms. Tang Yinghong serves as the chairman of the Nomination Committee. During the year ended 31 December 2023, the Nomination Committee held two meetings on 30 March 2023. The Nomination Committee has reviewed and confirmed the Group's overall structure, composition and diversity of the Board and each of Mr. Xian He and Ms. Wu Wennan will retire from office by rotation and, being eligible, will offer himself/herself for re-election as Director at the AGM.

### 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.

## NOMINATION COMMITTEE *(continued)*

### Nomination Policy *(continued)*

**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.

**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.

## NOMINATION COMMITTEE *(continued)*

### Nomination Policy *(continued)*

**3. Nomination Procedures** *(continued)*

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;
- 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;

## NOMINATION COMMITTEE *(continued)*

### Nomination Policy *(continued)*

**4. Independence** *(continued)*

4.1 *(continued)*

- 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.

### 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.

## NOMINATION COMMITTEE *(continued)*

### Board Diversity Policy *(continued)*

**Review of Board Diversity and Gender Diversity**

The Board comprises five members as at 31 December 2023, including two female independent non-executive Directors. The proportion of female members in the Board is 40%.

The Board has reviewed the implementation and effectiveness of the Company's policy on board diversity on an annual basis. The Directors have a balanced mix of knowledge, skills and experience, including corporate and financial management, overseas investment and finance and securities industries, law and accounting. Furthermore, the members of the Board are aged 32 to 59 years old. Taking into account the business model and specific needs as well as the presence of two female independent non-executive Directors out of a total of five Board members, the Board considers that gender diversity of the Board has been achieved and the composition of the Board also satisfies the board diversity policy. With regards gender diversity and succession of the Board, the Company has taken and will continue to take steps to promote gender diversity at all levels of the Group, including but without limitation at the Board and senior management levels. While the Company will aim to maintain at least the same proportion of female members on the Board, it will also consider to increase the proportion of female members over time as appropriate when selecting and making recommendations on suitable candidates for Board appointments.

The Company will aim to achieve gender diversity when recruiting staff at mid to senior level so that it will have a pipeline of female senior management and potential successors to the Board going forward. It is the Company's objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

During the year ended 31 December 2023, the gender ratio of males to females for all employees (including senior management) was approximately 5:1. The Board will continue to take measures to provide equal opportunities for employment, training and career development to promote the diversity of employees at all levels. During the year ended 31 December 2023, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

## 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 2023 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* | | | | | |
| Xian He | 6/6 | N/A | N/A | N/A | 6/6 |
| Wang Shaoyuan *(Resigned on 9 May 2023)* | 2/2 | N/A | N/A | N/A | 1/1 |
| *Non-executive Director* | | | | | |
| Jiang Hengwen *(Chairman)* | 6/6 | N/A | N/A | N/A | 6/6 |
| *Independent non-executive Directors* | | | | | |
| Tang Yinghong | 6/6 | 3/3 | 2/2 | 2/2 | 6/6 |
| Wu Wennan | 6/6 | 3/3 | 2/2 | 2/2 | 6/6 |
| Xu Xiang | 6/6 | 3/3 | 2/2 | 2/2 | 6/6 |

## 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 C.1.4 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 2023, 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 C.1.4 of the CG Code during the year ended 31 December 2023:

| | Corporate governance/ updates on laws, rules and regulations | Accounting/ financial/ management or other professional skills |
|---|---|---|
| **Executive Directors** | | |
| Xian He | ✓ | |
| Wang Shaoyuan *(Resigned on 9 May 2023)* | | |
| **Non-executive Director** | | |
| Jiang Hengwen *(Chairman)* | ✓ | |
| **Independent non-executive Directors** | | |
| Tang Yinghong | ✓ | |
| Wu Wennan | ✓ | ✓ |
| Xu Xiang | ✓ | |

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors during the year ended 31 December 2023. 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 2023.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2023 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 Directors are aware that the Group incurred a net loss of approximately RMB328,649,000 (2022: RMB290,319,000) during the year ended 31 December 2023 and the settlement of the Group's certain tariff adjustment receivables from the state-grid companies amounting to RMB445,967,000 (2022: RMB929,580,000) as at 31 December 2023 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.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS *(continued)*

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 2023, after taking into consideration of the following:

1. the expected settlement of the Group's certain tariff adjustment receivables from the state-grid companies in the next twelve months from 31 December 2023, determined with reference to the historical settlement pattern;

2. the expected proceeds from disposal of subsidiaries and domestic shares in Bank of Jinzhou Co., Ltd. amounting to approximately RMB1,072,903,000 and RMB134,375,000 respectively in the next twelve months from 31 December 2023, determined with reference to the disposal contracts;

3. loan extension arrangements with the respective lenders to extend the repayment dates of the outstanding loans in which amounting to approximately RMB279,750,000 has been successfully extended in January 2024; and

4. finance lease arrangements with the leasing companies for addition borrowings in which amounting to approximately RMB180,000,000 has been successfully secured and available for the Group to withdraw in the next twelve months from 31 December 2023.

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

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

Based on the information provided by management of the Group and the steps taken to improve the financial position of the Group as mentioned above, the Audit Committee has reviewed and agreed with the Board's basis for the going concern basis adopted in preparing the financial statements and such basis has also been disclosed in note 3.2 to the financial statements of this annual report.

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 2023, 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 RMB2,380,000 (2022: RMB1,980,000) and RMB1,653,000 (2022: RMB908,000), respectively. The non-audit services conducted by the external auditor mainly include professional services on special services rendered in relation to acquisitions and disposals of subsidiaries.

## 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 for reviewing and monitoring 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 2023 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 D.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 2023, no significant risk was identified.

### Internal Control System

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

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

## RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

### Internal Control System *(continued)*

- 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 2023, 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, as well as resolving material internal control defects.

### Effectiveness of the Risk Management and Internal Control Systems

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

The Board, through its reviews covering all material controls, including financial, operational and compliance controls and the reviews made by IA function and the Audit Committee for the year ended 31 December 2023, 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. Ching Kin Wai ("Mr. Ching"). 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 2023, Mr. Ching undertook not less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules .

## 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. The implementation and effectiveness of shareholders communication policy has been reviewed by the Board during the year ended 31 December 2023.

## 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.

- 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.

## SHAREHOLDER RIGHTS *(continued)*

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

- 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 and 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 ir@kongsunhldgs.com for the attention of the company secretary of the Company.

## CONSTITUTIONAL DOCUMENT

There was no change in the constitutional documents of the Company during the year ended 31 December 2023.

## 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: ir@kongsunhldgs.com

The Company has reviewed the implementation and effectiveness of the investors communication policy conducted during the year ended 31 December 2023, including measures and arrangements for the general meetings, the handling of queries from investors and the channels of communication in place, and considered such policy to be effective.

# 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 2023 to 31 December 2023 (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) 11 power plants of the Group as at 31 December 2023; and (iii) 2 power stations that completed equity transfer during the Year. The Group has stepped into the Digital and Intelligent Traditional Chinese Medicine (DI-TCM) health management business in 2023 and the business is expected to start to generate revenue in 2024. The Board will review whether the health management business will be included in the reporting boundary of the ESG Report in the coming year. For details on corporate governance, please refer to the Corporate Governance Report on pages 43 to 58.

In preparing this ESG Report, the Group made disclosures in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

### Reporting Principles

The ESG Report adheres to the ESG Reporting Principles set out in the ESG Guide, including materiality, quantitative and consistency. Details are illustrated as follows:

**Materiality**

The content of the ESG Report is determined through stakeholder engagement and materiality assessment processes, which include identifying ESG-related issues, collecting and reviewing the management and stakeholders' opinions, assessing the relevance of the issues and preparing and validating the information reported. The ESG Report covers the key issues concerned by different stakeholders.

**Quantitative**

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders are able to have a comprehensive understanding of the Group's ESG performance. Information on the standards, methodologies, references and sources of key emission and conversion factors used on these KPIs are stated wherever appropriate.

**Consistency**

In order to enhance and maintain comparability of ESG performances between years, the Group has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. Any changes in methodologies and specific standards have been presented and explained in detail in corresponding sections. The Group will continue to adopt consistent methodologies as far as reasonably practicable in the future, in case of any changes that could affect a meaningful comparison of the KPIs between years.

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 ir@kongsunhldgs.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. To this end, the board of directors (the "Board") of the Group upholds its primary leading role and management responsibilities in the ESG aspects, including overseeing the Group's assessment of relevant environmental and social impacts; understanding the potential impact of ESG issues on the Group's business model and associated risks; aligning with the expectations of investors and the requirements of regulatory authorizations; improving materiality assessment and reporting processes to ensure that policies are implemented and enforced decisively and consistently; and promoting a top-down culture to ensure that ESG considerations are integrated into the business decision-making process.

The Group has established an ESG Governance Team comprising the senior management, department heads and an independent third party advisor. The main responsibilities of the team include: 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; to review, recognize and report to the Board on the Group's ESG framework, standards, prioritization and objectives, and to supervise and implement the ESG strategies on the Group's level; to monitor, review and evaluate the Group's ESG performance; to review and advise the Board on the Group's reporting to the public. The department heads are responsible for overseeing their respective ESG risks and objectives, and reporting regular updates to the ESG Governance Team and the Board on relevant progress and challenges encountered.

After reviewing and analysing the emissions data and key performance indicators for the past three years (including the current year), the Group has assessed its ESG governance performance and set emission reduction targets. Through the implementation of various emission reduction and resource utilization measures, the Group has effectively controlled or reduced various types of emissions, resource consumption and density. In the coming year, the Group hopes to continue to optimize its measures to control the density of resource consumption and reduce 2% of emissions and the amount of resource consumption.

## 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

- **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

#### Shareholders

- **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

#### Business Partners

- **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

#### Customers

- **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
  - Customer Feedback

#### Environment

- **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
  - Research and inspection

#### Industry

- **Expectation and Requirement**
  - Developing industrial standards
  - Promoting industry development
- **Communication and Response**
  - Participation in industry forums
  - Field visits

#### Employees

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

#### Community and the Public

- **Expectation and Requirement**
  - Improving community environment
  - Participation in charity work
  - Open and transparent information
- **Communication and Response**
  - Company website
  - Announcements
  - Social media platform

## Materiality Assessment

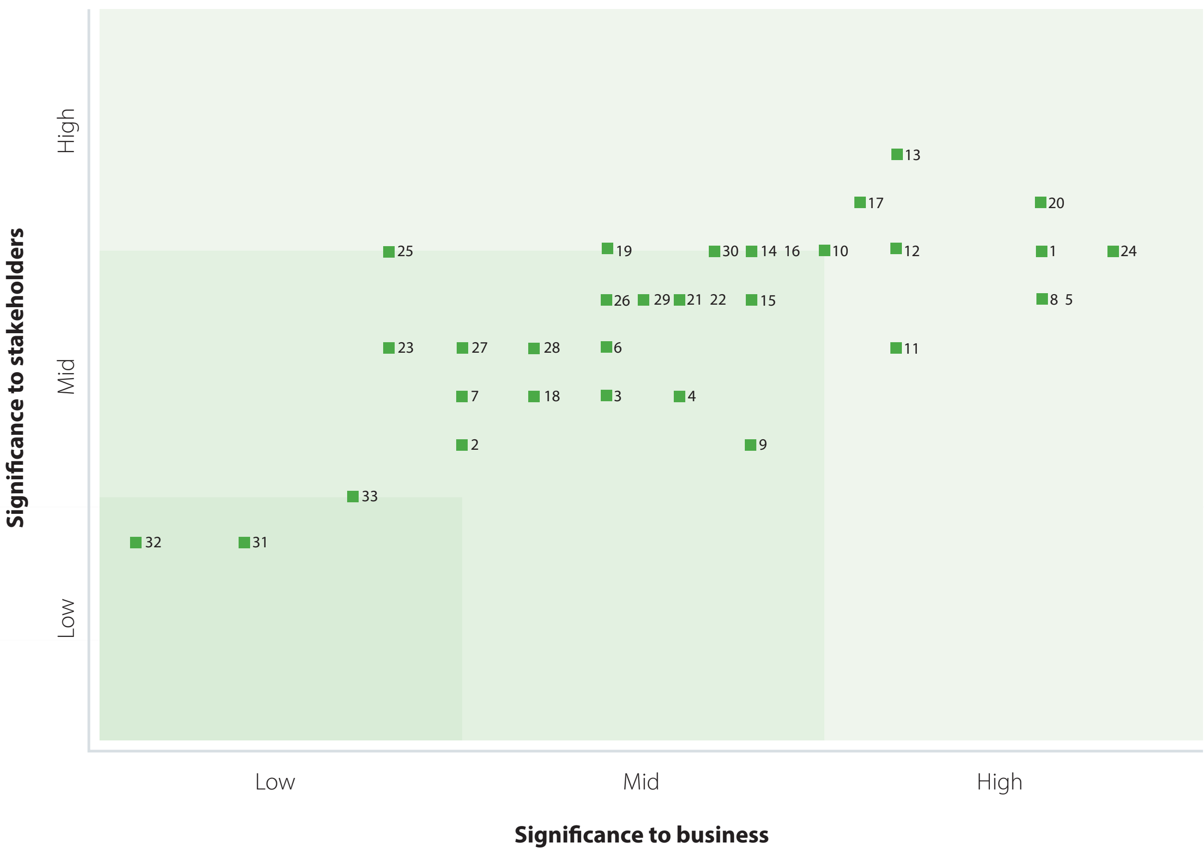
During the Year, the Group's ESG Governance Team and the Board conducted a materiality assessment in a fair and equitable manner to identify material ESG aspects. The implementation of materiality assessment has been divided into three main phases:

(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 13 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<br>Management of Pollutants<br>Management of Wastes |
| 5 | Use of energy | Green Industry<br>Resource Conservation |
| 8 | Green energy projects | Green Industry |
| 10 | Ecological protection | Annual Emissions Reduction Contribution<br>Management of Pollutants<br>Management of Wastes |
| 11 | Responses to climate change | Responses to Climate Change |
| 12 | Prevention and treatment of environmental incidents | Responses to Climate Change<br>Safeguarding the Safety and Health of the Employees |
| 13 | Employment compliance | Recruiting Talents<br>Safeguarding the Rights and Interests of our Staff<br>Safeguarding the Safety and Health of the Employees |
| 14 | Remuneration and benefits | Recruiting Talents<br>Safeguarding the Rights and Interests of our Staff |
| 16 | Diversity and equal opportunities | Recruiting Talents<br>Safeguarding the Rights and Interests of our Staff |
| 17 | Occupational health and safety | Safeguarding the Safety and Health of the Employees<br>Investment in Talent Development |
| 20 | Operational compliance | Emphasising Business Ethics |
| 24 | Quality management | Green Engineering — Management of Solar Power Plant<br>Supply Chain Management |
| 30 | Anti-corruption | Creating a Community of Integrity |

## GREEN FOOTPRINT — "COMMITTED TO DEVELOPING SOLAR POWER"

### Milestones

**1970**

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

**2014**

- Introduced Pohua JT Private Equity Fund L.P. as the major shareholder which contributed HK$2.34 billion in cash. The principal business has been transformed into the investment in and operation of solar power plants
- Acquired 3 solar power plant projects, thereby tapping into the solar power generation business

**2016**

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

**2017**

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

**2018**

- 19 solar power plants of the Group have been registered in the seventh batch of the Renewable Energy Tariff Subsidies Catalogue*（第七批可再生能源電價附加資金補助目錄）

**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

**2021**

- Subsidiaries of the Group have obtained 3 software copyrights and 1 invention patent related to the management and maintenance of solar power plants

**2023**

- Subsidiaries of the Group have obtained the 5A service certification for photovoltaic power plant operation and maintenance services

## 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 2023, the Group owned 11 solar power plants in total with a total installed capacity of 290 MW, covering 5 provinces of China, with an aim to contribute to environmental protection in the PRC and the world.

## Annual Emissions Reduction Contribution

As of 31 December 2023, the approximate total power generation volume of solar power of the Group was 401,352 MWh (approximate total power generation volume of the same station in 2022: 383,216 MWh). In comparison with coal-burning power plants in China, our solar power generation succeeded in reducing emissions of $CO_2$, $SO_2$, $NO_x$, dust and wastewater of approximately 0.332 million tonnes, 41 tonnes, 61 tonnes, 9 tonnes and 20,800 tonnes, respectively (approximate emissions reduction contribution of the same station in 2022: reducing emissions of $CO_2$, $SO_2$, $NO_x$, dust and wastewater of approximately 0.317 million tonnes, 39 tonnes, 58 tonnes, 8 tonnes and 19,900 tonnes, respectively).

The Group's number of power plants, approximate annual power generation and annual contribution in emissions reduction[1] by provinces are set out as follows:

| | | Approximate Power Generation Volume (MWh) and Emissions Reduction Contribution (tonnes) in 2023 | | | | | | Approximate Power Generation Volume (MWh) and Emissions Reduction Contribution (tonnes) of the Same Station in 2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Provinces | Number of solar power plants at 31 December 2023 | Approximate power generation volume | $CO_2$ | $SO_2$ | $NO_x$ | Dust | Wastewater | Approximate power generation volume of the same station | $CO_2$ | $SO_2$ | $NO_x$ | Dust | Wastewater |
| Shaanxi | 3 | 159,058 | 131,700 | 16 | 24 | 3 | 8,271 | 126,943 | 105,109 | 13 | 19 | 3 | 6,601 |
| Inner Mongolia | 1 | 15,639 | 12,949 | 2 | 2 | 0 | 813 | 15,938 | 13,197 | 2 | 2 | 0 | 829 |
| Shanxi | 1 | 29,458 | 24,391 | 3 | 4 | 1 | 1,532 | 29,978 | 24,822 | 3 | 5 | 1 | 1,559 |
| Anhui | 5 | 149,900 | 124,117 | 15 | 23 | 3 | 7,795 | 160,546 | 132,932 | 16 | 24 | 4 | 8,348 |
| Zhejiang | 0 | 18,741 | 15,518 | 2 | 3 | 0 | 975 | 19,279 | 15,963 | 2 | 3 | 0 | 1,003 |
| Hubei | 1 | 28,556 | 23,644 | 3 | 4 | 1 | 1,485 | 30,532 | 25,280 | 3 | 5 | 1 | 1,588 |
| Total | 11 | 401,352 | 332,319 | 41 | 61 | 9 | 20,870 | 383,216 | 317,303 | 39 | 58 | 8 | 19,927 |

1 Contribution to emission reduction is calculated based on the pollutant emission intensity of energy generated per unit of thermal power in the "Annual Development Report of China's Electricity Industry (2022)" published by the China Electricity Council.

## 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 "2019 Golden Hong Kong Stock Annual Awards Ceremony" co-organised by Zhitongcaijing（智通財經）and Tonghuashuncaijing（同花順財經）in January 2020, the Group was awarded as the 2019 Golden Hong Kong Stock Best Energy and Resources Company（2019金港股最佳能源與資源股公司）. In March 2021, the Group won the "Most Influential Energy Asset Management" award in the 2020 "Photovoltaic Cup" co-organized by Solarbe.com and Zhixin Consulting. In November 2020, the Group was awarded the "China Outstanding Photovoltaic 2020 Investment Value Award" ("中國好光伏" 2020年度投資價值獎）in the "2020 China Outstanding Photovoltaic Brand Awards Ceremony"（2020中國好光伏品牌盛典）organized by the energy industry's authoritative media, the IN-EN.com all-media platform（國際能源網全媒體平台）. These awards fully recognize the Group's healthy corporate governance structure, superior industry status, outstanding main business achievement and ability to provide investors with sustainable and stable return.

In addition, Beijing Xintai Green Energy Technology Co., Ltd. ("Xintai Green Energy"), a wholly owned subsidiary of the Group, has been awarded the "New High-tech Enterprise" certificate and obtained three software copyrights and one invention patent related to the management and maintenance of solar power plants. Its main business is to provide maintenance services for customers' power stations, including but not limited to providing maintenance services for power station equipment, dispatching professional personnel, monitoring the operation of power station equipment and providing annual operating plans to customers. Xintai Green Energy won the 2020 Solar Cup "Most Influential O&M Enterprise" Award. In 2023, Xintai Green Energy obtained the 5A service certification for photovoltaic power plant operation and maintenance services and the Zhongguancun High-Tech Enterprise Certification.







## 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 civilized 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.

During the year, the Group has implemented the above practice with its suppliers. The number of suppliers by relevant region is as follows:

| Region of suppliers | Number of suppliers | |
|---|---|---|
| | 2023 | 2022 |
| China | 340 | 469 |

## 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 mu 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 gaps between the solar power panels, so as to improve land utilisation and integrate technology and traditional agriculture. During the Year, the project generated approximately 18.74 GWh. The "tea-photovoltaic complementary" solar power plant in Shengzhou reduced emissions of $CO_2$, $SO_2$, $NO_x$, dust and wastewater by over 15,700 tonnes, approximately 2 tonnes, approximately 3 tonnes, approximately 0.41 tonnes and approximately 975 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. The disposal of the entire equity interest in Shengzhou Yihui Photovoltaic Power Ltd. was completed on 18 October 2023.

## 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. During the year ended 31 December 2023, there were no issues in sourcing water that is fit for purpose. 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;<br>• To reduce the number of official vehicles and increase the use of electric vehicles;<br>• To adopt automatic lighting management system and install energy-saving light bulbs;<br>• 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;<br>• To strengthen off-hours inspections, switch off lighting, air conditioners and other energy consuming devices in a timely manner; to request staff who are leaving their workstations for long periods of time to switch off their desktop electronic devices;<br>• To install highly energy-efficient electronic equipment and consider its energy labels during the selection process of electricity equipment; and<br>• To clean solar panels on a regular basis to enhance energy efficiency. | • To reduce water pressure to the lowest feasible level;<br>• To use water taps with water conservation labels;<br>• To reuse grey water for cleaning and irrigation;<br>• To read the water metres regularly and enhance equipment management to minimise or avoid leakages; and<br>• 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;<br>• To set double sided printing and ink-saving mode as the default printing mode;<br>• To implement paperless meetings, adopt video conferencing and reduce printed materials for conferences;<br>• To use electronic communication technologies for the release of announcements, reporting and internal communications; and<br>• To use "paper from responsible sources" when printing annual and interim reports of the Group.<br>• Promote the conservation of toilet paper and post signs for saving. |

Through the implementation of the above measures, the Group had reduced resources consumption and successfully controlled the energy consumption intensity and water consumption intensity during the Year. In the coming year, the Group hopes to continue to optimize the above measures in order to control the intensity of resource consumption and reduce the amount of resource consumption by 2%. Resources consumption of the Group during the Year is as follows:

| Use of resources | 2023 | 2022 |
|---|---|---|
| Energy consumption | | |
| Direct energy consumption of non-renewable fuel (MWh)[1] | **192** | 254 |
| Indirect energy consumption of purchased electricity (MWh) | **4,323** | 6,205 |
| Less: electricity sold (MWh) | **401,352** | 511,840 |
| Total direct and indirect energy consumption (MWh) | **(396,837)** | (505,381) |
| Intensity: Average direct and indirect energy consumption per MWh of electricity sold (MWh/MWh) | **(0.99)** | (0.99) |
| Water resources consumption | | |
| Total water consumption[2] (cubic metre) | **7,876** | 10,344 |
| Intensity: Average water consumption per MWh of electricity sold (cubic metre/MWh) | **0.02** | 0.02 |

1 Non-renewable fuel consumption includes fuel consumption for vehicle use and cooking in power stations, and the conversion equivalent is calculated using the "Energy Statistics Manual" issued by the International Energy Agency.

2 The property unit of our headquarters could not confirm the water consumption of our headquarters. 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.

Through the implementation of the above measures, the Group successfully reduced the gas fuel consumption and vehicle emissions. The types of air pollutants and emission data during the Year are as follow:

| **Types of Air Pollutants[1]** | **2023** | 2022 |
|---|---|---|
| $NO_x$ emission (kg) | **133.87** | 202.32 |
| $SO_x$ emission (kg) | **0.20** | 0.28 |
| Particles (kg) | **12.41** | 19.00 |

1 The air pollutant emission factors for gas fuel consumption are calculated based on data from the "Clean Air Charter — Business Guidebook" published by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment, and the "Energy Statistics Manual" issued by the International Energy Agency. The Vehicle emission factors are calculated based on the Hong Kong Environmental Protection Department's Vehicle Emission Calculation Model.

## 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 had reduced the non-hazardous and hazardous waste generation and successfully controlled the non-hazardous and hazardous waste generation intensity during the Year. In the coming year, the Group hopes to continue to optimize the above measures, in order to control the intensity of waste generated and reduce the total wastes generated by 2%. During the Year, the amounts of non-hazardous and hazardous wastes generated by the Group are as follows:

| **Wastes** | **2023** | 2022 |
|---|---|---|
| Total amount of non-hazardous wastes (tonnes) | **36** | 45 |
| Intensity: Average amount of non-hazardous wastes per MWh of electricity sold (kg/MWh) | **0.09** | 0.09 |
| Total amount of hazardous wastes (tonnes) | **0.03** | 0.04 |
| Intensity: Average amount of hazardous wastes per MWh of electricity sold (g/MWh) | **0.08** | 0.09 |

## 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 total amount of greenhouse gas emission during the year. Next year, the Group hopes to continue to optimize the above measures so as to control the greenhouse gas emissions intensity and reduce the amount of greenhouse gas emission by 2%. During the Year, the greenhouse gas emissions of the Group are as follows:

| **Greenhouse gas emissions**[1] | **2023** | 2022 |
|---|---|---|
| Scope 1: Direct emissions (tonnes $CO_2e$)[2] | **50** | 66 |
| Scope 2: Energy indirect emissions (tonnes $CO_2e$)[3] | **2,541** | 3,890 |
| Scope 3: Other indirect emissions (tonnes $CO_2e$)[4] | **28** | 44 |
| Total amount of greenhouse gas emissions (tonnes $CO_2e$) | **2,620** | 4,000 |
| Intensity: Average amount of greenhouse gas emissions per MWh of electricity sold (kg $CO_2e$/MWh) | **6.53** | 7.82 |

1 The Group's greenhouse gas emissions include carbon dioxide, methane and nitrous oxide. Its greenhouse gas emissions data are presented in terms of carbon dioxide equivalent.

2 Scope 1 includes greenhouse gas emissions from fixed sources (cooking fuel consumption in power stations) and greenhouse gas emissions from moveable combustion sources (vehicle). The emission equivalents are calculated based on "How to Prepare an ESG Report — Appendix 2: Reporting guidance on Environmental KPIs "issued by the Stock Exchange.

3 Scope 2 includes indirect emissions from energy generated by the electricity bought by the Group. The emission equivalent is calculated based on "Grid Baseline Emission Factor for China of Emission Reduction Project of 2021" issued by the Ministry of Ecology and Environment of the People's Republic of China.

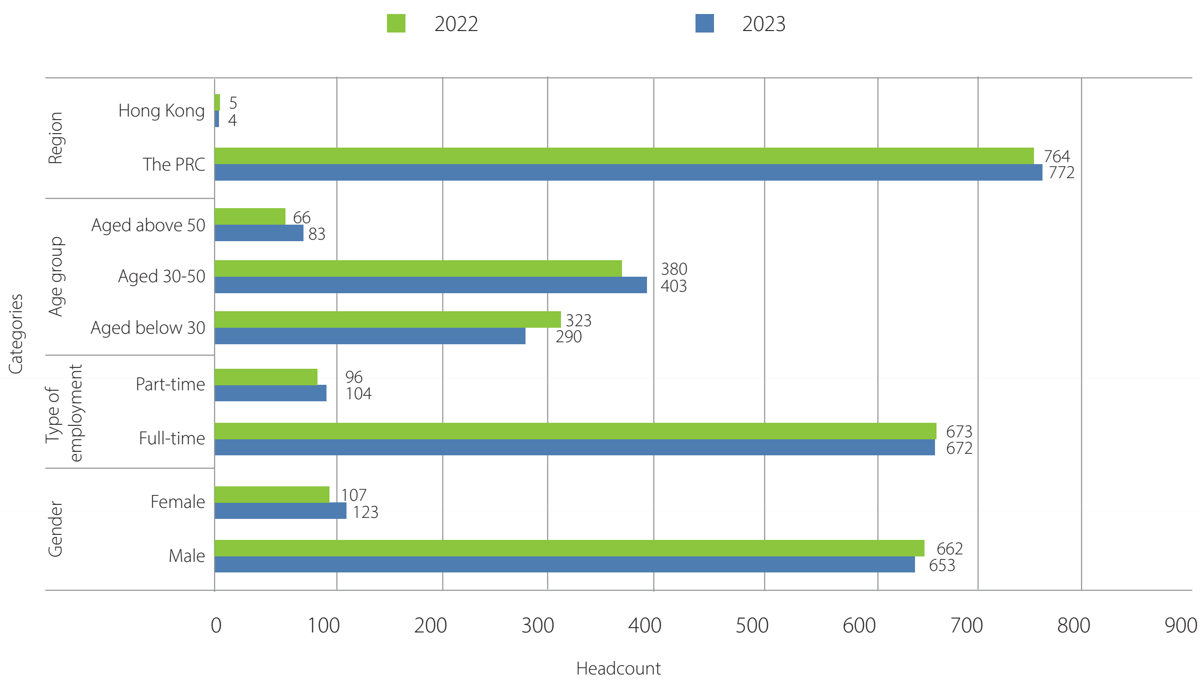
4 Scope 3 includes waste paper dumped in landfills, electricity consumed by government departments in processing fresh water and sewage, and indirect greenhouse gas emissions caused by employees traveling by plane. Emission equivalents are calculated based on "How to Prepare an ESG Report — Appendix 2: Reporting guidance on Environmental KPIs "issued by the Stock Exchange, "Grid Baseline Emission Factor for China of Emission Reduction Project of 2021" issued by the Ministry of Ecology and Environment of the People's Republic of China and calculated by Carbon Calculator of International Civic Aviation Organization.

## GREEN CARE — "CREATE A BETTER FUTURE"

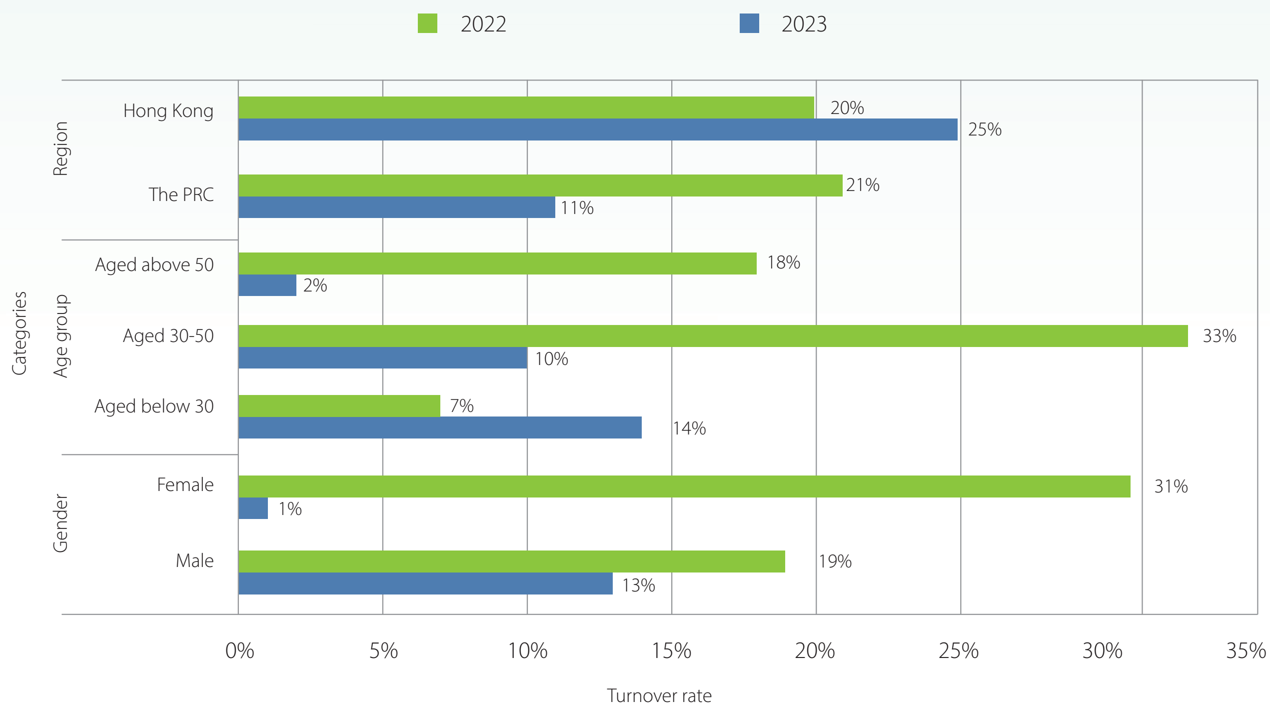
### Recruiting Talents

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 2023, the Group employed a total of 776 (2022: 769) employees in Hong Kong and the PRC. The number of employees by gender, type of employment (full time or part-time), age group and geographical location are as follows:



During the year, the number of employees who terminated their employment with the Group due to voluntary resignation or dismissal, retirement or death in Hong Kong and China during the year was 84 (2022: 158). The turnover rate of all employees was 11% (2022: 21%). The turnover rate by gender, age group and geographical location are 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 club and badminton club, 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.

In the past three years (including this year), the Group did not have any case of death caused by work-related injuries. During the year, 0 employee (2022: 0 employee) was injured in 0 occupational accident (2022: 0), and 0 working day (2022: 0 working day) was lost due to work-related injuries. Management of the Group has reviewed relevant work-related injuries reports and optimized employee safety training to prevent the occurrence of occupational accident.

## 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

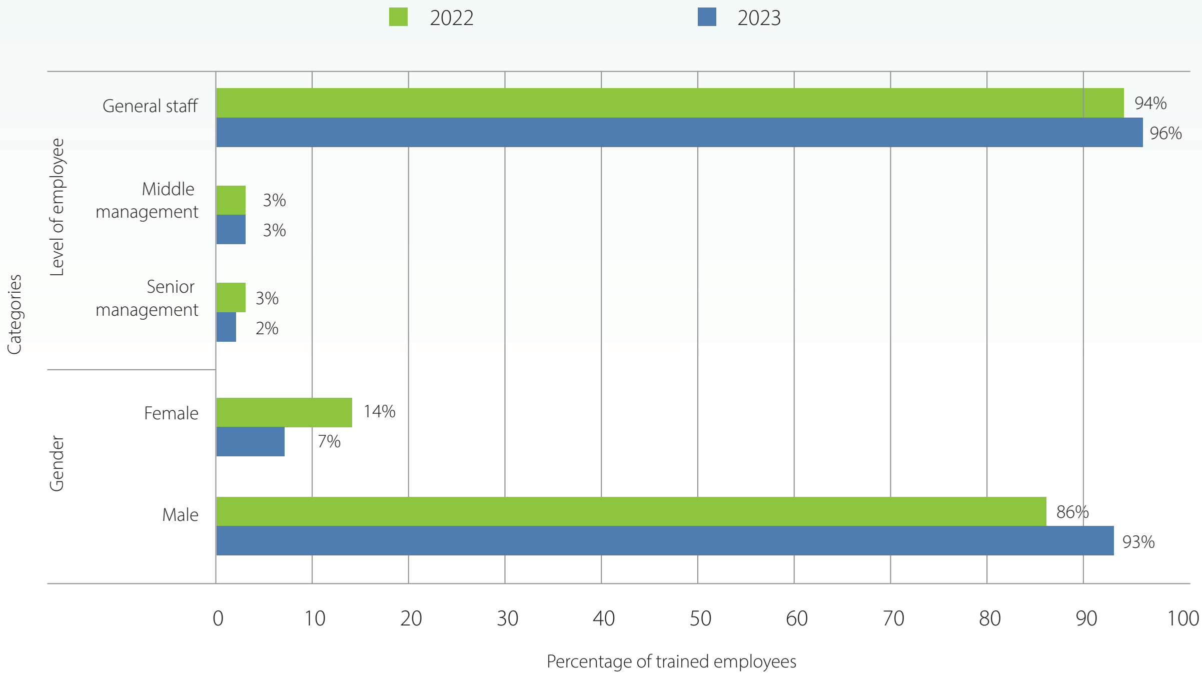
Talent development is an integral part of the Group's human resources strategy. Staff trainings will be organised based on the Group's actual conditions and demands for talents in a planned and targeted way. We create personal training files for our employees which record all trainings received since 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, we have organised the following training programs:

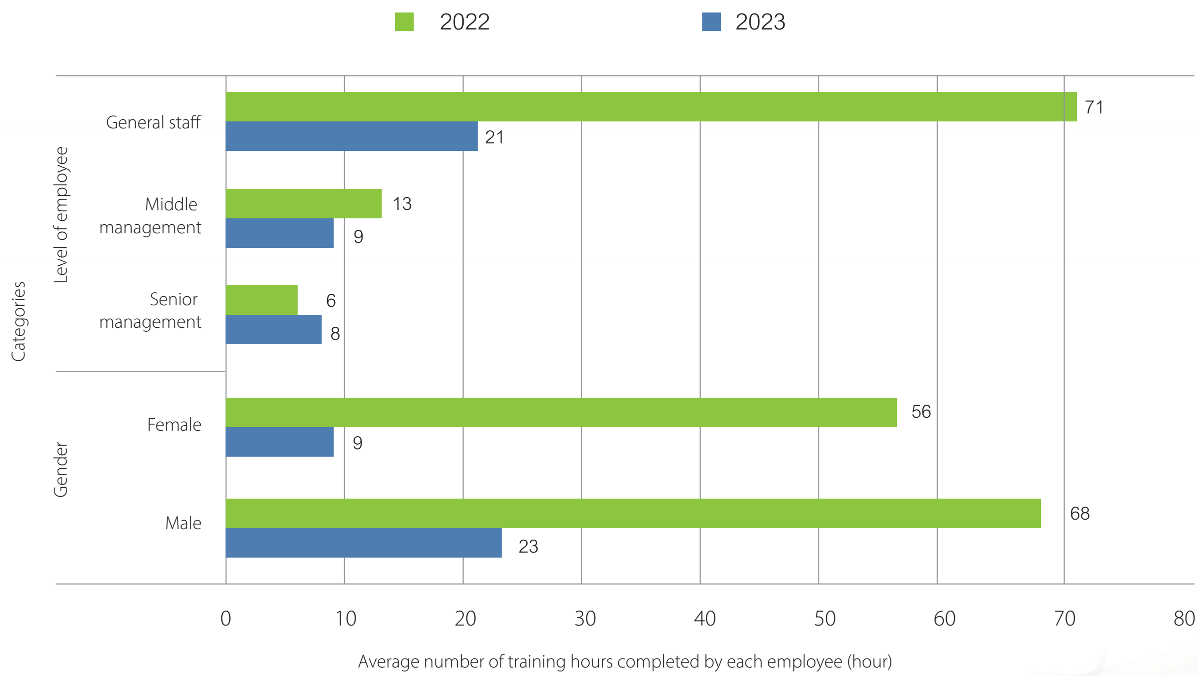
| Trainees | Course name |
|---|---|
| Management trainee | Training on relevant systems of the Company<br>Safety education and training<br>Production process of power plants<br>Use of production management system<br>Equipment inspection: key points of inspection and inspection precautions<br>Basic electrical knowledge and key parameters of equipment<br>Fan<br>Common failure handling (discovery and reporting) |
| New employees | Executive discussion and corporate culture presentation<br>Special training on equipment in the region<br>Safety education and training<br>Expansion |
| Project director, regional deputy director and director | Communication management<br>Problem analysis and solution<br>Performance management<br>Production management training<br>Safety management training<br>Business development |
| Regional specialised workers, project manager and shift leader | Dual rules assessment requirements<br>Electricity trading training<br>Plant communication<br>Secondary security |
| All staff | Safety supervision department plan |

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.

The proportion of all employees of the Group in Hong Kong and China receiving training during the year is 84% (2022: 98%). The percentage of trained employees by gender and type of employees are as follows:




During the year, the average number of training hours completed by each employee of the Group in Hong Kong and China is 20 hours (2022: 66 hours). The average number of training hours completed by each employee divided by gender and employee category are set out as follows:



## 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.

The Group regularly provides anti-corruption training for employees to strengthen their awareness of integrity and self-discipline through ideological study, improve anti-corruption immunity, and resolutely say no to corrupt behavior. With the mindset and moral defense against corruption, employees can ensure their integrity, thus helping the Group to build a clean corporate team. During the Year, the Group has provided regular trainings on anti-corruption for 30 staffs in the merchandising department for a total of 30 hours of 1 hour of training. The Group will continue to provide regular anti-corruption trainings to its directors and employees. During the year ended 31 December 2023, there were no legal cases regarding corrupt practices brought against the Company or its employees.

### 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 also actively participates in welfare activities of community organisations, such as community garbage classification guidance and publicity work, and contributes to the society. During the Year, the Group donated funds and computers with a total value of more than RMB10,000 to the local communities in need. The Group's Datong Wantong New Energy Co., Ltd. in Shanxi Province also donated the Spring Festival lanterns to the local community during the Spring Festival in 2023.

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

| Subject areas, aspects, general disclosures and KPIs description | | Sections/Statements | Page(s) |
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| **Environmental**<br>**Aspect A1: Emissions** | | | |
| **General disclosure**<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>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 | 65-66, 72-75 |
| **KPI A1.1** | The types of emissions and respective emissions data. | Management of Pollutants | 73-74 |
| **KPI A1.2** | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Responses to Climate Change | 75 |
| **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 | 74 |
| **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 | 74 |
| **KPI A1.5** | Description of emissions target(s) set and steps taken to achieve them. | Green Industry, Annual Emissions Reduction Contribution, Responses to Climate Change | 65-66, 75 |
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| **Aspect A2: Use of resources** | | | |
| **General disclosure**<br>Policies on the efficient use of resources, including energy, water and other raw materials.<br>Note: resources may be applied to production, storage, transportation, buildings and electronic devices, etc. | | Resource Conservation | 72-73 |
| **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 | 72-73 |
| **KPI A2.2** | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Resource Conservation | 72-73 |
| **KPI A2.3** | Description of energy use efficiency target(s) set and steps taken to achieve them. | Resource Conservation | 72-73 |
| **KPI A2.4** | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Resource Conservation | 72-73 |
| **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**<br>Policies on minimising the issuer's significant impact on the environment and natural resources. | | Green Industry, Annual Emissions Reduction Contribution, Responses to Climate Change | 65-66, 75 |
| **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 | 65-66, 75 |
| **Aspect A4: Climate Change** | | | |
| **General disclosure**<br>Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | | Green Industry, Annual Emissions Reduction Contribution, Responses to Climate Change | 65-66, 75 |
| **KPI A4.1** | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Green Industry, Annual Emissions Reduction Contribution, Responses to Climate Change | 65-66, 75 |

| Subject areas, aspects, general disclosures and KPIs description | | Sections/Statements | Page(s) |
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| **Social**<br>**Employment and labour practices**<br>**Aspect B1: Employment** | | | |
| **General disclosure**<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer.<br>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 | 76-79 |
| **KPI B1.1** | Total workforce by gender, employment type, age group and geographical region. | Recruiting Talents | 76-77 |
| **KPI B1.2** | Employee turnover rate by gender, age group and geographical region. | Recruiting Talents | 76-77 |
| **Aspect B2: Health and safety** | | | |
| **General disclosure**<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer.<br>relating to providing a safe working environment and protecting employees from occupational hazards. | | Safeguarding the Safety and Health of the Employees | 78-79 |
| **KPI B2.1** | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Safeguarding the Safety and Health of the Employees | 78-79 |
| **KPI B2.2** | Lost days due to work injury. | Safeguarding the Safety and Health of the Employees | 78-79 |
| **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 | 78-79 |
| **Aspect B3: Development and training** | | | |
| **General disclosure**<br>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | | Promoting Personal Development, Investment in Talent Development | 79-81 |
| **KPI B3.1** | The percentage of employees trained by gender and employee category (e.g. senior management, middle-level management). | Investment in Talent Development | 80-81 |
| **KPI B3.2** | The average training hours completed per employee by gender and employee category. | Investment in Talent Development | 80-81 |

| Subject areas, aspects, general disclosures and KPIs description | | Sections/Statements | Page(s) |
|---|---|---|---|
| **Aspect B4: Labour standards** | | | |
| **General disclosure**<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | | Recruiting Talents | 76-77 |
| **KPI B4.1** | Description of measures to review employment practices to avoid child and forced labour. | Recruiting Talents | 76-77 |
| **KPI B4.2** | Description of steps taken to eliminate such practices when discovered. | No child or forced labour has come to the awareness of the Group in the Year. | N/A |
| **Operating practises**<br>**Aspect B5: Supply chain management** | | | |
| **General disclosure**<br>Policies on managing environmental and social risks of the supply chain. | | Supply Chain Management | 69-70 |
| **KPI B5.1** | Number of suppliers by geographical region. | Supply Chain Management | 69-70 |
| **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. | Supply Chain Management | 69-70 |
| **KPI B5.3** | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management | 69-70 |
| **KPI B5.4** | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management | 69-70 |

| Subject areas, aspects, general disclosures and KPIs description | | Sections/Statements | Page(s) |
|---|---|---|---|
| **Aspect B6: Product responsibility** | | | |
| **General disclosure**<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>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 | 68-70, 82 |
| **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 | 70 |
| **KPI B6.4** | Description of quality assurance process and recall procedures. | **assurance process**<br>Green Engineering — Management of Solar Power Plant Project<br><br>**recall procedures**<br>As the Group is principally operating solar power plants, it does not involve any product recalls. | 68-69 |
| **KPI B6.5** | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Emphasising Business Ethics | 70 |

| Subject areas, aspects, general disclosures and KPIs description | | Sections/Statements | Page(s) |
|---|---|---|---|
| **Aspect B7: Anti-corruption** | | | |
| **General disclosure**<br>Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to prevention of bribery, extortion, fraud and money laundering. | | Creating a Community of Integrity | 82 |
| **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 | 82 |
| **KPI B7.2** | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Creating a Community of Integrity | 82 |
| **KPI B7.3** | Description of anti-corruption training provided to directors and staff. | Creating a Community of Integrity | 82 |
| **Community**<br>**Aspect B8: Community investment** | | | |
| **General disclosure**<br>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 | 82 |
| **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 | 82 |
| **KPI B8.2** | Resources contributed to the focus area (e.g. money or time). | Care for the Community | 82 |

# 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 95 to 199, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policies information.

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 2023, 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.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB328,649,000 during the year ended 31 December 2023, the settlement of the Group's certain tariff adjustment receivables from the state-grid companies 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS *(continued)*

### Impairment assessment of non-financial assets

*(Refer to notes 17, 18 and 22 to the consolidated financial statements and the Group's critical accounting judgements and key sources of estimation uncertainty in relation to impairment of non-financial assets set out in note 5(iii))*

As at 31 December 2023, the Group's major had non-financial assets, including property, plant and equipment, solar power plants and right-of-use assets, amount to approximately RMB1,101,710,000.

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

We have identified impairment assessment of these 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 judgements 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 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, in which we have evaluated their competence, capabilities and objectivity, to assist us in evaluating and assessing the appropriateness of the key assumptions used in the value-in-use calculations.

### Provision for expected credit losses on trade, bills and other receivables (including tariff adjustment receivables)

*(Refer to note 26 to the consolidated financial statements and the Group's critical accounting judgements and key sources of estimation uncertainty in relation to impairment of financial assets measured at amortised cost set out in note 5(ii))*

As at 31 December 2023, the Group had trade, bills and other receivables amounting to RMB2,261,271,000, before provision for expected credit losses ("ECLs") of RMB335,393,000.

Management uses the simplified approach to calculate ECLs for trade receivables and general approach to calculate ECLs for bills receivable, loan receivables and other receivables.

## KEY AUDIT MATTERS *(continued)*

### Provision for expected credit losses on trade, bills and other receivables (including tariff adjustment receivables) *(continued)*

We have identified provision for ECLs on trade, bills and other receivables as a key audit matter because of its significance to the consolidated financial statements, and because the assessment of ECLs involve significant management judgements and estimates with respect to the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the ECLs. It also needs to assess whether the credit risk on the other receivables has increased significantly under the general approach.

**Our response:**

Our procedures in relation to management's impairment assessment of trade, bills and other receivables included:

– obtaining an understanding of the Group's credit risk management and practices, and assessing the Group's policy on determining ECLs, including an evaluation of management judgements on (i) the level of disaggregation of categories for collective assessment; (ii) the use of available credit risk information; and (iii) the criteria for determining if a significant increase in credit risk has occurred;

– obtaining and reviewing the impairment model established by management and assessing the methodology applied and the key assumptions and estimates adopted in the ECLs calculations. In relation to the tariff adjustment receivables, assessing the status of the registration process of individual solar power plant by making enquiries to the management, inspecting the relevant registration documents, checking the government publications and industry news and considering the historical settlement pattern of tariff adjustment receivables;

– engaging external independent valuation specialist, in which we have evaluated their competence, capabilities and objectivity, to assist us in evaluating and assessing the ECLs calculations; and

– assessing the ageing of the balances, management's action to recover the outstanding amounts and the available information about the financial ability of the debtors, on a sample basis.

### 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 4.9)*

As at 31 December 2023, the Group had financial assets measured at fair value through other comprehensive income amounting to RMB595,942,000. 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 judgements and estimates with respect to the determination of fair values of the financial assets.

## KEY AUDIT MATTERS *(continued)*

### Valuation of financial assets measured at fair value through other comprehensive income *(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 valuation methods 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, in which we have evaluated their competence, capabilities and objectivity, to assist us in evaluating and assessing the appropriateness of the valuation methodologies and the key assumptions used in the fair value calculations.

## 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 Hong Kong Financial Reporting Standards 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, actions taken to eliminate threats or safeguards applied.

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*

**LAI Cheuk Wai**
Practising Certificate Number P07921

Hong Kong, 28 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Revenue** | 7 | **474,793** | 555,727 |
| Cost of sales | | **(255,145)** | (288,038) |
| **Gross profit** | | **219,648** | 267,689 |
| Other gains/(losses), net | 8 | **30,295** | (19,758) |
| Administrative expenses | | **(193,473)** | (167,011) |
| Losses on disposals of subsidiaries, net | 44 | **(33,770)** | (8,587) |
| Impairment loss on a solar power plant | 18 | **–** | (28,029) |
| Impairment losses on a disposal group classified as held for sale | 28 | **(61,444)** | – |
| Impairment losses on trade and other receivables, net | 26 | **(156,276)** | (135,411) |
| Impairment loss on loans to an associate | 51.1(a)(vi) | **(684)** | (430) |
| Finance costs | 13 | **(164,240)** | (186,081) |
| Impairment losses on interests in associates | 19 | **–** | (7,196) |
| Impairment loss on interest in a joint venture | 20 | **(6,780)** | – |
| Impairment loss on goodwill | 21 | **(4,019)** | – |
| Share of profits of associates | 19 | **44,903** | 14,988 |
| Share of profits/(losses) of joint ventures | 20 | **11,818** | (6,290) |
| **Loss before income tax** | 9 | **(314,022)** | (276,116) |
| Income tax expense | 14 | **(14,627)** | (14,203) |
| **Loss for the year** | | **(328,649)** | (290,319) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(335,800)** | (294,878) |
| Non-controlling interests | 43 | **7,151** | 4,559 |
| | | **(328,649)** | (290,319) |
| **Loss per share for the year attributable to owners of the Company** | 16 | | |
| – Basic (RMB cents) | | **(2.24)** | (1.97) |
| – Diluted (RMB cents) | | **(2.24)** | (1.97) |

# CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | Notes | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|---|
| **Loss for the year** | | **(328,649)** | (290,319) |
| **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 | 23 | **(164,252)** | (23,685) |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| – Exchange differences on translation of financial statements of foreign operations | | **(4,264)** | (13,714) |
| **Other comprehensive income for the year, net of tax** | | **(168,516)** | (37,399) |
| **Total comprehensive income for the year** | | **(497,165)** | (327,718) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **(504,316)** | (332,277) |
| Non-controlling interests | | **7,151** | 4,559 |
| | | **(497,165)** | (327,718) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **31,417** | 20,843 |
| Solar power plants | 18 | **943,096** | 2,052,524 |
| Interests in associates | 19 | **218,533** | 180,448 |
| Interests in joint ventures | 20 | **209,748** | 193,710 |
| Goodwill | 21 | **–** | 547 |
| Right-of-use assets | 22 | **127,197** | 157,292 |
| Financial assets measured at fair value through other comprehensive income | 23 | **595,942** | 760,194 |
| Intangible assets | 24 | **10,639** | – |
| Trade receivables | 26 | **191,840** | 176,234 |
| Deferred tax assets | 33 | **12,164** | 11,955 |
| Loans to an associate | 49(a) | **124,892** | 119,576 |
| | | **2,465,468** | 3,673,323 |
| **Current assets** | | | |
| Inventories | 25 | **14,986** | 1,923 |
| Trade, bills and other receivables | 26 | **1,734,038** | 2,024,665 |
| Loans to an associate | 49(a) | **606** | 1,824 |
| Cash and cash equivalents | 27 | **254,778** | 301,979 |
| | | **2,004,408** | 2,330,391 |
| Assets of disposal groups classified as held for sale | 28 | **1,252,629** | – |
| **Total current assets** | | **3,257,037** | 2,330,391 |
| **Current liabilities** | | | |
| Trade and other payables | 29 | **668,397** | 386,433 |
| Lease liabilities | 37 | **22,629** | 13,410 |
| Loans and borrowings | 31 | **1,026,803** | 392,671 |
| Loans from an associate | 49(b) | **26,100** | – |
| Corporate bonds | 32 | **9,062** | 8,933 |
| Contract liabilities | 30 | **140** | – |
| Tax payables | | **5,305** | 2,967 |
| | | **1,758,436** | 804,414 |
| Liabilities of disposal groups classified as held for sale | 28 | **269,682** | – |
| **Total current liabilities** | | **2,028,118** | 804,414 |
| **Net current assets** | | **1,228,919** | 1,525,977 |
| **Total assets less current liabilities** | | **3,694,387** | 5,199,300 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2023

| | Notes | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | 37 | **124,670** | 116,573 |
| Loans and borrowings | 31 | **632,413** | 1,641,748 |
| Corporate bonds | 32 | **7,266** | 6,863 |
| | | **764,349** | 1,765,184 |
| **NET ASSETS** | | **2,930,038** | 3,434,116 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 34 | **6,486,588** | 6,486,588 |
| Reserves | 35 | **(3,644,838)** | (3,140,522) |
| **Equity attributable to the owners of the Company** | | **2,841,750** | 3,346,066 |
| Non-controlling interests | 43 | **88,288** | 88,050 |
| **TOTAL EQUITY** | | **2,930,038** | 3,434,116 |

On behalf of the directors

**Xian He**

*Executive Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | Equity attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | PRC statutory reserve | Exchange reserve | Fair value through other comprehensive income reserve | Equity-settled share-based payment reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | RMB000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (note 34) | (note 35(i)) | (note 35(ii)) | (note 35(iii)) | (note 35(iv)) | | | (note 43) | |
| **Balance at 1 January 2022** | 6,486,588 | 117,696 | (27,336) | (657,526) | 47,670 | (2,289,065) | 3,678,027 | 83,491 | 3,761,518 |
| Loss for the year | – | – | – | – | – | (294,878) | (294,878) | 4,559 | (290,319) |
| Other comprehensive income, net of tax | – | – | (13,714) | (23,685) | – | – | (37,399) | – | (37,399) |
| Total comprehensive income, net of tax | – | – | (13,714) | (23,685) | – | (294,878) | (332,277) | 4,559 | (327,718) |
| Equity-settled share-based transactions (note10) | – | – | – | – | 316 | – | 316 | – | 316 |
| Lapse of share options | – | – | – | – | (47,986) | 47,986 | – | – | – |
| Appropriations to PRC statutory reserves | – | 3,870 | – | – | – | (3,870) | – | – | – |
| Disposal of subsidiaries | – | (14,013) | – | – | – | 14,013 | – | – | – |
| **Balance at 31 December 2022 and 1 January 2023** | **6,486,588** | **107,553** | **(41,050)** | **(681,211)** | **–** | **(2,525,814)** | **3,346,066** | **88,050** | **3,434,116** |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **(335,800)** | **(335,800)** | **7,151** | **(328,649)** |
| Additions through the acquisition of subsidiaries (note 45) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(6,913)** | **(6,913)** |
| Other comprehensive income, net of tax | **–** | **–** | **(4,264)** | **(164,252)** | **–** | **–** | **(168,516)** | **–** | **(168,516)** |
| Total comprehensive income, net of tax | **–** | **–** | **(4,264)** | **(164,252)** | **–** | **(335,800)** | **(504,316)** | **238** | **(504,078)** |
| Appropriations to PRC statutory reserves | **–** | **1,264** | **–** | **–** | **–** | **(1,264)** | **–** | **–** | **–** |
| Disposal of subsidiaries | **–** | **(17,587)** | **–** | **–** | **–** | **17,587** | **–** | **–** | **–** |
| Balance at 31 December 2023 | **6,486,588** | **91,230** | **(45,314)** | **(845,463)** | **–** | **(2,845,291)** | **2,841,750** | **88,288** | **2,930,038** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | **(314,022)** | (276,116) |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 17 | **3,479** | 5,611 |
| Depreciation of solar power plants | 18 | **98,491** | 130,970 |
| Impairment loss on a solar power plant | 18 | **–** | 28,029 |
| Amortisation of right-of-use assets | 22 | **23,296** | 24,441 |
| Impairment losses on right-of-use assets | 22 | **–** | 8,384 |
| Gain on lease modification | 8 | **(2,171)** | – |
| Equity-settled share-based payment expenses | 10 | **–** | 316 |
| Foreign exchange gains, net | | **(220)** | (397) |
| Losses on disposals of subsidiaries, net | 44(a) | **33,770** | 8,587 |
| Loss on disposal of property, plant and equipment | 8,17 | **(12)** | 22 |
| Loss on disposal of solar power plants | 8,18 | **72** | 672 |
| Write-down of inventories | 25 | **–** | 637 |
| Share of (profits)/losses of joint ventures | 20 | **(11,818)** | 6,290 |
| Share of profits of associates | 19 | **(44,903)** | (14,988) |
| Gain on deemed acquisition of an associate | 19 | **–** | (328) |
| Gain on deemed disposal of an associate | 19 | **–** | (91) |
| Impairment loss on interests in associates | 19 | **–** | 7,196 |
| Impairment loss on interest in a joint venture | 20 | **6,780** | – |
| Interest expense | 13 | **164,240** | 186,081 |
| Interest income | 8 | **(24,684)** | (5,751) |
| Dividend income | 8 | **(20,250)** | – |
| Impairment losses on trade and other receivables, net | 26 | **156,276** | 135,411 |
| Impairment loss on loan to an associate | 51.1(a)(vi) | **684** | 430 |
| Write-off of other receivables | 8 | **15,742** | 8,416 |
| Impairment losses on disposal group classified as held for sale | 28 | **61,444** | – |
| Impairment loss on goodwill | 21 | **4,019** | – |
| Write-back of other payables | 8 | **(512)** | (6,542) |
| **Operating profit before working capital changes** | | **149,701** | 247,280 |
| Decrease/(increase) in inventories, net | | **161** | (1,621) |
| (Increase)/decrease in trade, bills and other receivables | | **(564,734)** | 262,777 |
| Increase in trade and other payables | | **259,075** | 148,021 |
| Cash (used in)/generated from operations | | **(155,797)** | 656,457 |
| Tax paid | | **(11,673)** | (22,201) |
| **Net cash (used in)/generated from operating activities** | | **(167,470)** | 634,256 |

# CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Payments for purchase of property, plant and equipment | 17 | **(906)** | (2,942) |
| Proceeds from sale of property plant and equipment | 17 | **136** | – |
| Payments for construction of solar power plants | 18 | **(1,279)** | (4,193) |
| Proceeds from sale of solar power plants | 18 | **78** | 745 |
| Capital injection on joint ventures | 20 | **(11,000)** | (200,000) |
| Capital injection on financial assets | 23 | **–** | (18) |
| Proceeds from reduction in investment in financial assets measured at fair value through other comprehensive income | | **–** | 402,500 |
| Interest received | | **16,392** | 5,751 |
| Proceeds from disposals of subsidiaries, net of cash disposed | 44 | **61,023** | 403,803 |
| Proceeds from disposal of an associate | | **6,696** | – |
| Increase in loans to an associate | | **(4,782)** | (121,830) |
| Dividend income received | 8,19 | **20,372** | – |
| Net cash outflow on acquisition of subsidiaries | 45 | **(4,428)** | – |
| **Net cash generated from investing activities** | | **82,302** | 483,816 |
| **Cash flows from financing activities** | | | |
| Proceeds from new loans and borrowings | | **1,047,170** | 40,000 |
| Repayments of loans and borrowings | | **(889,812)** | (1,276,760) |
| Repayments of lease liabilities | | **(16,191)** | (17,744) |
| Interest paid | | **(103,285)** | (193,066) |
| Repayment of corporate bonds | 32 | **–** | (71,289) |
| **Net cash generated from/(used in) from financing activities** | | **37,882** | (1,518,859) |
| **Net decrease in cash and cash equivalents** | | **(47,286)** | (400,787) |
| **Cash and cash equivalent at beginning of the year** | | **301,979** | 702,142 |
| Effect of foreign exchange rate changes | | **85** | 624 |
| **Cash and cash equivalents at end of the year** | | **254,778** | 301,979 |
| **Cash and cash equivalents as at 31 December, represented by:** | | | |
| Bank balances and cash | 27 | **254,778** | 301,979 |
| Bank balances and cash included in assets classified as held for sale | 28 | **2,677** | – |
| | | **257,455** | 301,979 |

## 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 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 and asset management, and construction and operation of Digital and Intelligent Traditional Chinese Medicine (DI-TCM) health management and service system and provision of DI-TCM diagnosis and treatment equipment.

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

### 2.1 Adoption of new/amended HKFRSs – effective 1 January 2023

In the current year, the Group has adopted for the first time the following new/amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

| | |
|---|---|
| HKFRS 17 | Insurance Contracts |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |

Other than the amendments to HKAS 1 and HKFRS Practice Statement 2, none of these the above new/amended HKFRSs in current year has material impact on the Group's consolidated financial statements.

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

### 2.1 Adoption of new/amended HKFRSs – effective 1 January 2023 *(continued)*

**Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies**

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

### 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 consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current[2] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[2] |
| HK Interpretation 5 (Revised) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2] |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements[2] |
| Amendments to HKAS 21 | Lack of Exchangeability[3] |

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025

The Directors are in the process of making assessments of what the impact of these new/amended HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of these new/amended HKFRSs is unlikely to have a significant impact on the consolidated financial statements of the Group.

## 3. BASIS OF PREPARATION

### 3.1 Statement of compliance

The financial statements 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 of Hong Kong (the "Listing Rules").

### 3.2 Basis of measurement and basis of the preparation of financial statements on a going concern basis

The financial statements have been prepared under historical cost convention except for certain financial assets at fair value through other comprehensive income ("FVOCI"), which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The material 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.

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 RMB328,649,000 during the year ended 31 December 2023, loans and borrowings of approximately RMB1,026,803,000 in current liabilities as at 31 December 2023 and in light of the settlement of the Group's certain tariff adjustment receivables from the state-grid companies amounting to RMB445,967,000 as at 31 December 2023 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 2023, after taking into consideration of the following:

1. the expected settlement of the Group's certain tariff adjustment receivables from the state-grid companies in the next twelve months from 31 December 2023, determined with reference to the historical settlement pattern;

2. the expected proceeds from disposal of subsidiaries and domestic shares in Bank of Jinzhou Co., Ltd. amounting to approximately RMB1,072,903,000 and RMB134,375,000 respectively in the next twelve months from 31 December 2023, determined with reference to the disposal contracts;

3. loan extension arrangements with the respective lenders to extend the repayment dates of the outstanding loans in which amounting to approximately RMB279,750,000 has been successfully extended in January 2024; and

4. finance lease arrangements with the leasing companies for addition borrowings in which amounting to approximately RMB180,000,000 has been successfully secured and available for the Group to withdraw in the next twelve months from 31 December 2023.

## 3. BASIS OF PREPARATION *(continued)*

### 3.2 Basis of measurement and basis of the preparation of financial statements on a going concern basis *(continued)*

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

### 3.3 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.

### 3.4 Changes in accounting policies

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 ('the Amendment Ordinance') was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund ('MPF') scheme to offset severance payment ('SP') and long service payments ('LSP') ('the Abolition'). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 ('the Transition Date').

The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

- The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the last month's salary of employment termination date.

## 3. BASIS OF PREPARATION *(continued)*

### 3.4 Changes in accounting policies *(continued)*

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer's mandatory MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material of the Abolition, the HKICPA published 'Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong' ('the Guidance') in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

| | |
|---|---|
| Approach 1: | Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of HKAS 19.93(a) |
| Approach 2: | Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation |

For the years ended 31 December 2022 and 2023, the Group's LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

## 4. MATERIAL 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.

## 4. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.1 Basis of consolidation *(continued)*

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.2 Subsidiaries

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

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

### 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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.4 Joint arrangements

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

The Group classifies its interests in joint arrangements as either:

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

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

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

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 loss, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

## 4. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.5 Intangible assets

**(i) 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 ("CGUs") that are expected to benefit from the synergies of the acquisition. A CGU 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 4.7 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.

**(ii) Trademarks and technology know how and patents**

Separately acquired trademarks and technology know-how and patents at historical cost. Trademarks and technology know-how and patents acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and technology know-how and patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

**(iii) Computer software**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

**(iv) Internally generated intangible assets-research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on internally developed products is capitalised if it can be demonstrated that

– it is technically feasible to develop the product for it to be sold
– adequate resources are available to complete the development
– there is an intention to complete and sell the product
– the Group is able to sell the product
– sale of the product will generate future economic benefits, and
– expenditure on the project can be measured reliably.

## 4. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.5 Intangible assets *(continued)*

**(iv) Trademarks and technology know how and patents** *(continued)*

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line or administrative expenses in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

**(v) Amortisation methods and periods**

The amortisation expense is recognised in profit or loss and included in selling and administrative expenses The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

| | | |
|---|---|---|
| – | Trademarks and technology know-how and patents | 10 years |
| – | Computer software | 10 years |

**(vi) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**(vii) Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**(viii) Impairment of intangible assets**

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 24).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

## 4. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.6 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All 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.

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

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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.7 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 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 CGUs 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 losses 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.

### 4.8 Leases

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.

## 4. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.8 Leases *(continued)*

**Right-of-use asset**

This 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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

**Lease liability**

This is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. 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 terms 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.

**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 method over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line method over the lease term.

## 4. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.9 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. 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.

## 4. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.9 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 (including renewable energy subsidy receivables and loan receivables) and financial assets measured at amortised cost. 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 including renewable energy subsidy receivables 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, 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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.9 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 4.12). They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other payables

These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

Lease liabilities

Lease liabilities are measured at initial value less the capital element of lease repayments (see note 4.8).

**(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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.9 Financial instruments *(continued)*

**(vi) Equity instruments**

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

**(vii) Derecognition**

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

### 4.10 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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.11 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 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 at a point of time when the control of the electricity transferred, being at the point when electricity has generated and transmitted to the customer. 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 at a point of time 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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.11 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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.12 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.

### 4.13 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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.13 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.

### 4.14 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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.15 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. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.16 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.

### 4.17 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).

## 4. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.17 Related parties *(continued)*

(b) *(continued)*

(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.

### 4.18 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. |
| Health management services | : | this segment engages in providing of health management services |

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.

## 4. MATERIAL ACCOUNTING POLICIES *(continued)*

### 4.18 Segment reporting *(continued)*

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

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

### 4.19 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

The Group depreciates property, plant and equipment and solar power plants on straight-line method over the estimated useful life, and after taking into account their estimated residual value, at 4% to 20% per annum, commencing from the date on which the assets are available for use while depreciates the right-of-use assets on straight-line method over the shorter of the asset's useful life and the lease term. 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, solar power plants and the right-of-use assets.

### (ii) ECL of financial assets measured at amortised cost

The measurement of ECL allowance for financial assets measured at amortised cost is an area that requires the use of assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements, 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 are set out in note 4.9(ii) to the 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 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. For the year ended 31 December 2023, no (2022: RMB36,413,000) impairment loss of non-financial assets was recognised in consolidated statement of profit or loss. Details of the estimates of the recoverable amounts of CGUs containing the property, plant and equipment, solar power plants and right-of use assets are disclosed in notes 17, 18 and 22.

### (iv) Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and the 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

During the year ended 31 December 2023, the Group acquired Beijing Eagle Eye Intelligent Health Technology Co., LTD. and its subsidiaries (collectively referred to as "Beijing Eagle Eye Group"), which are engaged in health management services. The chief operating decision maker reviews the financial performance of Beijing Eagle Eye Group as a separate business. Accordingly, results from the health management and product business are presented as an operating and reportable segment. Details of the acquisition of Beijing Eagle Eye Group are set out in note 45.

The Board, being the chief operating decision maker, has identified the solar power plants, financial services, trading of liquefied natural gas and health management services as the business components in internal reporting. Information about the Group's reportable segments as provided for the purposes of resource allocation and assessment of segment performance is set out below.

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15:** | | |
| Sales of electricity | **286,256** | 385,695 |
| Provision of solar power plant operation and maintenance services | **121,856** | 116,991 |
| | **408,112** | 502,686 |
| **Revenue from other sources** | | |
| Interest income from provision of financial services | **66,681** | 53,041 |
| Total revenue | **474,793** | 555,727 |

## 6. SEGMENT INFORMATION *(continued)*

### (a) Business segments *(continued)*

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Solar power plants RMB'000 | Financial services RMB'000 | Trading of liquefied natural gas RMB'000 | Health management services RMB'000 | Total RMB'000 |
| Revenue from external customers | 408,112 | 66,681 | – | – | 474,793 |
| Inter-segment revenue | – | – | – | – | – |
| Reportable segment revenue | 408,112 | 66,681 | – | – | 474,793 |
| Reportable segment profit/(loss) (adjusted EBITDA) | 68,585 | 10,536 | (37) | (4,019) | 75,065 |
| Other interest income | 95 | 496 | – | – | 591 |
| Interest expense | 115,295 | 13,137 | – | – | 128,432 |
| Depreciation and amortisation for the year | 104,319 | 996 | – | – | 105,315 |
| (Reversal)/impairment losses on trade and other receivables, net | (5,658) | 45,301 | 1 | – | 39,644 |
| Impairment losses on a disposal group classified as held for sale | 61,444 | – | – | – | 61,444 |
| Impairment loss on goodwill | – | – | – | 4,019 | 4,019 |
| Gain on lease modification | 2,171 | – | – | – | 2,171 |
| Write-off of other receivables | 10,740 | – | – | – | 10,740 |
| Reportable segment assets | 2,898,882 | 692,797 | 1,262 | 108,897 | 3,701,838 |
| Additions to non-current assets during the year | 1,690 | 265 | – | – | 1,955 |
| Reportable segment liabilities | 1,725,994 | 11,480 | 432 | 119,829 | 1,857,735 |
| Primary geographical markets of revenue PRC | 408,112 | 66,681 | – | – | 474,793 |
| Time of revenue recognition | | | | | |
| At a point of time | 408,112 | N/A* | – | – | 408,112 |
| Transferred over time | – | N/A* | – | – | – |
| | 408,112 | N/A* | – | – | 408,112 |

* Other source of income not within the scope of HKFRS 15

## 6. SEGMENT INFORMATION *(continued)*

### (a) Business segments *(continued)*

| | 2022 | | | |
|---|---|---|---|---|
| | Solar power plants RMB'000 | Financial services RMB'000 | Trading of liquefied natural gas RMB'000 | Total RMB'000 |
| Revenue from external customers | 502,686 | 53,041 | – | 555,727 |
| Inter-segment revenue | – | – | – | – |
| Reportable segment revenue | 502,686 | 53,041 | – | 555,727 |
| Reportable segment profit/(loss) (adjusted EBITDA) | 279,190 | 16,078 | (671) | 294,597 |
| Other interest income | 121 | – | – | 121 |
| Interest expense | 106,844 | 416 | – | 107,260 |
| Depreciation and amortisation for the year | 139,619 | 889 | 1 | 140,509 |
| Impairment losses on trade and other receivables, net | 2,701 | 12,987 | – | 15,688 |
| Write-down of inventories | – | – | 637 | 637 |
| Impairment loss on a solar power plant | 28,029 | – | – | 28,029 |
| Impairment losses on right-of-use assets | 8,384 | – | – | 8,384 |
| Reportable segment assets | 3,545,104 | 419,336 | 2,561 | 3,967,001 |
| Additions to non-current assets during the year | 1,663 | 869 | – | 2,532 |
| Reportable segment liabilities | 2,018,663 | 9,788 | 103 | 2,028,554 |
| Primary geographical markets of revenue | | | | |
| PRC | 502,686 | 53,041 | – | 555,727 |
| Time of revenue recognition | | | | |
| At a point of time | 502,686 | N/A* | – | 502,686 |
| Transferred over time | – | N/A* | – | – |
| | 502,686 | N/A* | – | 502,686 |

* Other source of income not within the scope of HKFRS 15

## 6. SEGMENT INFORMATION *(continued)*

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

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue | **474,793** | 555,727 |
| Elimination of inter-segment revenue | **–** | – |
| Consolidated revenue | **474,793** | 555,727 |
| **Profit or loss** | | |
| Reportable segment profit | **75,065** | 294,597 |
| Other gains and losses | **38,273** | 3,635 |
| Impairment losses on trade and other receivables, net | **(116,632)** | (119,723) |
| Impairment loss on loans to an associate | **(684)** | (430) |
| Impairment loss on interest in a joint venture | **(6,780)** | – |
| Write-down of inventories | **–** | (637) |
| Impairment losses on interests in associates | **–** | (7,196) |
| Impairment losses on right-of-use assets | **–** | (8,384) |
| Impairment loss on a solar power plant | **–** | (28,029) |
| Write-back of other payables | **–** | 6,542 |
| Depreciation and amortisation | **(125,266)** | (161,022) |
| Losses on disposals of subsidiaries, net | **(33,770)** | (8,587) |
| Share of profits of associates | **44,903** | 14,988 |
| Share of profits/(losses) of joint ventures | **11,818** | (6,290) |
| Gain on deemed disposal of an associate | **–** | 91 |
| Gain on deemed acquisition of an associate | **–** | 328 |
| Finance costs | **(164,240)** | (186,081) |
| Equity-settled share-based payment expenses | **–** | (316) |
| Unallocated corporate expenses | **(36,709)** | (69,602) |
| Consolidated loss before income tax expense | **(314,022)** | (276,116) |
| **Assets** | | |
| Reportable segment assets | **3,701,838** | 3,967,001 |
| Interests in associates | **218,533** | 180,448 |
| Interests in joint ventures | **209,748** | 193,710 |
| Financial assets measured at fair value through other comprehensive income | **595,942** | 760,194 |
| Deferred tax assets | **12,164** | 11,955 |
| Unallocated corporate assets | **984,280** | 890,406 |
| Consolidated total assets | **5,722,505** | 6,003,714 |
| **Liabilities** | | |
| Reportable segment liabilities | **1,857,735** | 2,028,554 |
| Corporate bonds | **16,328** | 15,796 |
| Loans and borrowings | **279,750** | 345,000 |
| Lease liabilities | **87,711** | 76,687 |
| Unallocated corporate liabilities | **550,943** | 103,561 |
| Consolidated total liabilities | **2,792,467** | 2,569,598 |

## 6. SEGMENT INFORMATION *(continued)*

### (c) Geographic information

As the Group does not have material operations 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 and interest income generated from provision of financial services. The amount of each significant category of revenue during the year is as follows:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Sales of electricity | **286,256** | 385,695 |
| Provision of solar power plant operation and maintenance services | **121,856** | 116,991 |
| Interest income from provision of financial services | **66,681** | 53,041 |
| Consolidated revenue | **474,793** | 555,727 |

During the year ended 31 December 2023, sales of electricity includes renewable energy subsidies from the state-grid companies in various provinces amounted to approximately RMB173,808,000 (2022: RMB231,518,000), of which all have been registered in the Renewable Energy Tariff Subsidy Catalogue (the "RETSC") (2022: RMB216,585,000 registered in RETSC and RMB14,933,000 were subject to the registration), as set out in note 51.1(a)(i) for the details.

For the years ended 31 December 2023 and 2022, the major customers contributed over 10% of the total revenue of the Group are set out below:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Customer A in solar power plants segment | **116,079** | 103,144 |
| Customer B in solar power plants segment | **96,703** | 114,849 |
| Customer C in solar power plants segment | **–** | 58,022 |

## 8. OTHER GAINS/(LOSSES), NET

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Interest income from bank deposits | **2,486** | 3,921 |
| Interest income from a former subsidiary | **8,292** | – |
| Interest income from litigation | **3,222** | – |
| Interest income from an associate (note 49) | **10,684** | 1,830 |
| Dividend income from financial assets measured at fair value through other comprehensive income | **20,250** | – |
| Gain on lease modification | **2,171** | – |
| Gain/(loss) on disposal of property, plant and equipment | **12** | (22) |
| Loss on disposal of solar power plants | **(72)** | (672) |
| Write-back of other payables | **512** | 6,542 |
| Government grants (note) | **1,320** | 601 |
| Rental income | **2,742** | 13,551 |
| Solar power plant rectification expenses | **(11,683)** | (40,220) |
| Impairment losses on right-of-use assets (note 22) | **–** | (8,384) |
| Write-down of inventories (note 25) | **–** | (637) |
| Write-off of other receivables | **(15,742)** | (8,416) |
| Gain on deemed acquisition of an associate | **–** | 328 |
| Gain on deemed disposal of an associate | **–** | 91 |
| Others | **6,101** | 11,729 |
| | **30,295** | (19,758) |

Note:

It represented the subsidies given by the PRC government to certain subsidiaries of the Group in the PRC for their operating cost and enterprises development. The subsidies do not have specific conditions attached, and is recognised in profit or loss upon receipt.

## 9. LOSS BEFORE INCOME TAX

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Auditor's remuneration | | |
| – Audit services | **2,380** | 1,980 |
| – Non-audit services | **1,653** | 908 |
| Amortisation of right-of-use assets (note 22) (included in cost of sales and administrative expenses) | **23,296** | 24,441 |
| Depreciation | | |
| – Property, plant and equipment (note 17) (included in cost of sales and administrative expenses) | **3,479** | 5,611 |
| – Solar power plants (note 18) (included in cost of sales) | **98,491** | 130,970 |
| Short-term leases expenses | **1,688** | 2,008 |

## 10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Salaries, wages and other benefits | **191,332** | 143,851 |
| Contributions to defined contribution retirement plan (note 40) | **43,630** | 28,927 |
| Equity-settled share-based payment expenses (note 35) | **–** | 316 |
| Total employee benefit expenses (including directors' emoluments) | **234,962** | 173,094 |

## 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** | **Total RMB'000** |
|---|---|---|---|---|---|
| **2023** | | | | | |
| **Executive directors** | | | | | |
| Wang Shaoyuan[1] | 77 | 301 | – | 62 | 440 |
| Xian He | 216 | 862 | – | 153 | 1,231 |
| **Chairman and non-executive director** | | | | | |
| Jiang Hengwen | 216 | – | – | – | 216 |
| **Independent non-executive directors** | | | | | |
| Tang Yinghong | 216 | – | – | – | 216 |
| Wu Wennan | 216 | – | – | – | 216 |
| Xu Xiang | 216 | – | – | – | 216 |
| | 1,157 | 1,163 | – | 215 | 2,535 |

1 resigned on 9 May 2023

## 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 | Total RMB'000 |
|---|---|---|---|---|---|
| **2022** | | | | | |
| **Chairman and executive director** | | | | | |
| Jin Yanbing[1] | 186 | 1,664 | – | 152 | 2,002 |
| **Executive directors** | | | | | |
| Wang Shaoyuan[2] | 30 | 862 | – | 140 | 1,032 |
| Xian He[3] | 21 | 98 | – | 140 | 259 |
| Qin Hongfu[4] | – | 978 | – | 140 | 1,118 |
| **Chairman and non-executive director** | | | | | |
| Jiang Hengwen[5] | 206 | – | – | – | 206 |
| **Independent non-executive directors** | | | | | |
| Tang Yinghong[6] | 30 | – | – | – | 30 |
| Wu Wennan | 206 | – | – | – | 206 |
| Xu Xiang | 206 | – | – | – | 206 |
| Lang Wangkai[4] | 176 | – | – | – | 176 |
| | 1,061 | 3,602 | – | 572 | 5,235 |

1 resigned on 25 November 2022
2 appointed as executive director on 8 November 2022
3 appointed as executive director on 25 November 2022
4 resigned on 8 November 2022
5 appointed as chairman on 25 November 2022
6 appointed as independent non-executive director on 25 November 2022

## 12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one of them (2022: two) were Directors whose emoluments are included in note 11. The emoluments of the remaining four (2022: three) individuals are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Salaries and other emoluments | **3,235** | 3,668 |
| Contributions to defined contribution retirement plan | **412** | 353 |
| | **3,647** | 4,021 |

The emoluments of the above four (2022: three) highest paid individuals fell within the following bands:

| Emolument band | Number of individuals<br>2023 | <br>2022 |
|---|---|---|
| HK$ Nil to HK$1,000,000 | **3** | – |
| HK$1,000,001 to HK$2,000,000 | **1** | 3 |

During the years ended 31 December 2023 and 2022, no emoluments were paid to any of the 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 2023 and 2022.

## 13. FINANCE COSTS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Interest on loans and borrowings | **155,769** | 178,597 |
| Imputed interest on corporate bonds (note 32) | **707** | 2,089 |
| Interest on lease liabilities (note 37) | **7,764** | 5,395 |
| | **164,240** | 186,081 |

## 14. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss represents:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Current tax | | |
| – PRC Corporate Income Tax | **13,836** | 16,820 |
| – withholding tax on dividend income | **1,000** | 1,450 |
| Deferred tax assets (note 33) | **(209)** | (4,067) |
| | **14,627** | 14,203 |

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 2023 and 2022.

The Group's PRC entities are subject to corporate income tax at the statutory rate of 25% (2022: 25%), unless otherwise specified.

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、國家税務總局關於執行公共基礎設施項目企業所得税優惠目錄有關問題的通知）, certain solar power plant projects of the Group, which were 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.

## 14. INCOME TAX EXPENSE *(continued)*

Reconciliation between income tax expense and accounting loss at applicable tax rates:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Loss before income tax | **(314,022)** | (276,116) |
| Tax credit on loss before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned | **(81,224)** | (69,991) |
| Tax effect of non-deductible expenses | **67,639** | 32,515 |
| Tax effect of non-taxable income | **(22,939)** | (13,270) |
| Tax effect of PRC preferential tax treatment | **–** | (3,728) |
| Tax effect of tax loss not recognised | **50,360** | 71,294 |
| Withholding tax on dividend income | **1,000** | 1,450 |
| Tax effect of temporary differences | **(209)** | (4,067) |
| Income tax expense | **14,627** | 14,203 |

## 15. OTHER COMPREHENSIVE INCOME

### Tax effects relating to each component of other comprehensive income

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Before-tax amount<br>RMB'000 | Tax effect<br>RMB'000 | Net-of-tax amount<br>RMB'000 | Before-tax amount<br>RMB'000 | Tax effect<br>RMB'000 | Net-of-tax amount<br>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) | **(164,252)** | **–** | **(164,252)** | (23,685) | – | (23,685) |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | | |
| Exchange differences on translation of financial statements of foreign operations | **(4,264)** | **–** | **(4,264)** | (13,714) | – | (13,714) |
| | **(168,516)** | **–** | **(168,516)** | (37,399) | – | (37,399) |

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

### (a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company for the year of approximately RMB335,800,000 (2022: RMB294,878,000) and on the weighted average number of approximately 14,964,442,000 (2022: 14,964,442,000) ordinary shares in issue during the year ended 31 December 2023.

### (b) Diluted loss per share

The calculation of diluted loss per share is based on loss attributable to owners of the Company for the year of approximately RMB335,800,000 (2022: RMB294,878,000) and on the weighted average number of approximately 14,964,442,000 (2022: 14,964,442,000) ordinary shares in issue during the year ended 31 December 2023.

## 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 2022 | 20,474 | 4,943 | 5,566 | 24,182 | 55,165 |
| Additions | 63 | – | 388 | 2,491 | 2,942 |
| Disposal of subsidiaries | – | – | (5) | (880) | (885) |
| Disposal | – | – | – | (227) | (227) |
| Exchange realignments | 61 | – | 62 | – | 123 |
| At 31 December 2022 and 1 January 2023 | 20,598 | 4,943 | 6,011 | 25,566 | 57,118 |
| Additions | 173 | – | 390 | 343 | 906 |
| Additions through the acquisition of subsidiaries (note 45) | 3,462 | 7,216 | – | 3,474 | 14,152 |
| Disposal of subsidiaries (note) | | | (273) | (267) | (540) |
| Transferred to assets of a disposal group classified as held for sale (note 28) | – | – | (9) | (550) | (559) |
| Disposal | – | (17) | (958) | (33) | (1,008) |
| Exchange realignments | 11 | – | 11 | – | 22 |
| At 31 December 2023 | 24,244 | 12,142 | 5,172 | 28,533 | 70,091 |
| **Accumulated depreciation** | | | | | |
| At 1 January 2022 | 7,904 | 1,554 | 3,678 | 18,044 | 31,180 |
| Charged for the year (note 9) | 1,371 | 1,067 | 634 | 2,539 | 5,611 |
| Disposal | – | – | – | (205) | (205) |
| Disposal of subsidiaries | – | – | (7) | (419) | (426) |
| Exchange realignments | 53 | – | 62 | – | 115 |
| At 31 December 2022 and 1 January 2023 | 9,328 | 2,621 | 4,367 | 19,959 | 36,275 |
| Charged for the year (note 9) | 342 | 802 | 480 | 1,855 | 3,479 |
| Disposal of subsidiaries (note) | – | – | (2) | (64) | (66) |
| Disposal | – | (16) | (848) | (20) | (884) |
| Transferred to assets of a disposal group classified as held for sale (note 28) | – | – | (9) | (143) | (152) |
| Exchange realignments | 11 | – | 11 | – | 22 |
| At 31 December 2023 | 9,681 | 3,407 | 3,999 | 21,587 | 38,674 |
| **Net carrying amount** | | | | | |
| At 31 December 2022 | 11,270 | 2,322 | 1,644 | 5,607 | 20,843 |
| At 31 December 2023 | 14,563 | 8,735 | 1,173 | 6,946 | 31,417 |

Note: Following the completion of disposal, property, plant and equipment disposed of during the year with the carrying amounts of approximately RMB474,000 were derecognised to calculate of loss on disposal of subsidiaries for the year (note 44(a)).

## 18. SOLAR POWER PLANTS

| | Solar power plants RMB'000 | Solar power plants under construction RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2022 | 3,391,769 | 6,904 | 3,398,673 |
| Additions | 82,847 | 4,193 | 87,040 |
| Disposal of subsidiaries | (785,769) | (7,707) | (793,476) |
| Disposals | (1,742) | – | (1,742) |
| Write-off | (86,714) | – | (86,714) |
| At 31 December 2022 and 1 January 2023 | 2,600,391 | 3,390 | 2,603,781 |
| Additions | 1,279 | – | 1,279 |
| Disposal of subsidiaries# | (480,822) | – | (480,822) |
| Transferred to assets of a disposal group classified as held for sale (note 28) | (873,472) | – | (873,472) |
| Disposals | (194) | – | (194) |
| Write-off | (12,266) | – | (12,266) |
| At 31 December 2023 | 1,234,916 | 3,390 | 1,238,306 |
| **Accumulated depreciation and impairment** | | | |
| At 1 January 2022 | 547,018 | – | 547,018 |
| Charged for the year (note 9) | 130,970 | – | 130,970 |
| Disposal of subsidiaries | (154,435) | – | (154,435) |
| Disposals | (325) | – | (325) |
| Impairment on a solar power plant | 28,029 | – | 28,029 |
| At 31 December 2022 and 1 January 2023 | 551,257 | – | 551,257 |
| Charged for the year (note 9) | 98,491 | – | 98,491 |
| Disposal of subsidiaries# | (118,024) | – | (118,024) |
| Transferred to assets of a disposal group classified as held for sale (note 28) | (236,470) | – | (236,470) |
| Disposals | (44) | – | (44) |
| At 31 December 2023 | 295,210 | – | 295,210 |
| **Net carrying amount** | | | |
| At 31 December 2022 | 2,049,134 | 3,390 | 2,052,524 |
| At 31 December 2023 | 939,706 | 3,390 | 943,096 |

# During the year ended 31 December 2023, following the completion of the disposal, solar power plants disposed of with the carrying amounts of approximately RMB362,798,000 were derecognised to calculate the loss on disposal of subsidiaries for the year (note 44(a)).

## 18. SOLAR POWER PLANTS *(continued)*

Solar power plants under construction are 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 performed impairment test on certain completed solar power plants 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 a 5-year period and are extrapolated up to the estimated useful lives of respective completed solar power plant (ranging from 17 to 19 years) with the discount rates of 11.74% to 12.71% (2022: 10.73% to 12.77%), which are pre-tax and reflect specific risks relating to the solar power plants. The management determined the estimated useful lives of the completed solar power plants with reference to their feasibility studies. Key inputs to the value-in-use calculations include electricity generating capacity, feed-in-tariff, insolation hours, budget gross margin and operating expenses. As a result of the impairment test, no impairment loss on solar power plants was recognised for the year ended 31 December 2023 (2022: RMB28,029,000).

As at 31 December 2023, certain solar power plants with carrying amount of approximately RMB382,345,000 (2022: RMB998,866,000) were pledged as securities for the Group's loans and borrowings (note 31).

## 19. INTERESTS IN ASSOCIATES

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| At beginning of year | **180,448** | 172,237 |
| Gain on deemed acquisition | **–** | 328 |
| Gain on deemed disposal | **–** | 91 |
| Impairment losses on associates | **–** | (7,196) |
| Share of profits for the year | **44,903** | 14,988 |
| Dividend | **(122)** | – |
| Disposal (notes (i)) | **(6,696)** | – |
| At end of year | **218,533** | 180,448 |

## 19. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates as at 31 December 2023 and 2022 are as follows:

| Name | Place of incorporation and principal place of operation | Percentage of ownership interest | Principal activity |
|---|---|---|---|
| 通服商業保理有限責任公司 (Tongfu Commercial Factoring Co., Ltd.*) ("Tongfu") | PRC | Nil (2022: 10%) (note (i)) | Factoring business |
| 蘇州中能鼎立科技有限公司 （曾用名：蘇州中能鼎立電子商務有限公司 (Suzhou Zhongneng Dingli Technology Co., Ltd.*) (Suzhou Zhongneng Dingli E-commercial Co., Ltd.*) ("Suzhou Zhongneng") | PRC | 10% (2022: 10%) (note (ii)) | Liquefied natural gas ("LNG") trading platform development |
| 東台灡晶光伏有限公司 (Dongtai Lanjing Photovoltaic Co., Ltd.*) ("Dongtai Lanjing") | PRC | 36.79% (2022: 36.79%) | Solar power generation and development |
| 北京江山明輝新能源有限公司 (Beijing Kong Sun Minghui New Energy Co., Ltd.*) ("Minghui") | PRC | 15% (2022: 15%) | Consulting service |
| 江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*) ("Kong Sun Baoyuan") | PRC | 37.6% (2022: 37.6%) | Finance leases and factoring businesses |
| 廣州啄木鳥數字科技有限公司 (Guangzhou Woodpecker Digital Technology Co., Ltd.*) | PRC | 40% (2022: 40%) | Consulting service |

Notes:

(i) On 30 June 2023, the Group disposed of entire 10% interest in Tongfu to a third party for cash proceeds of RMB6,696,000 which were received in October 2023. No gain or loss was resulted in this transaction.

(ii) The Group considers that significant influence can be exercised over Suzhou Zhongneng through the appointment of a representative of the Group to the board of directors of Suzhou Zhongneng which comprising seven members and participation in policy-making processes.

## 19. INTERESTS IN ASSOCIATES *(continued)*

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 2023 and 2022 respectively.

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

### Kong Sun Baoyuan

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Non-current assets | **69,833** | 140,218 |
| Current assets (including cash and cash equivalents of approximately RMB12,469,000 (2022: RMB11,543,000)) | **633,352** | 443,182 |
| Current liabilities | **(10,035)** | (11,119) |
| Non-current liabilities | **(126,000)** | (120,000) |

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Revenue | **39,860** | 43,890 |
| Profit and total comprehensive income for the year | **114,870** | 39,158 |
| Depreciation | **(7)** | (7) |
| Interest income | **160** | 2,390 |
| Income tax expense | **22,882** | (6,712) |

## 19. INTERESTS IN ASSOCIATES *(continued)*

### Kong Sun Baoyuan *(continued)*

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

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Equity attributable to the owners of Kong Sun Baoyuan | **567,150** | 452,281 |
| Proportion of the Group's ownership interests | **37.6%** | 37.6% |
| Carrying amounts of the Group's investment in Kong Sun Baoyuan | **213,248** | 170,058 |

Set out below are the summarised financial information of immaterial associates:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates | **5,285** | 10,390 |
| Profit and total comprehensive income for the year | **1,712** | 265 |

## 20. INTEREST IN JOINT VENTURES

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| At beginning of year | **193,710** | – |
| Additions | **11,000** | 200,000 |
| Impairment loss on a joint venture | **(6,780)** | – |
| Share of profits/(losses) for the year | **11,818** | (6,290) |
| At end of year | **209,748** | 193,710 |

## 20. INTEREST IN JOINT VENTURES *(continued)*

As at 31 December 2023, 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 | Principal activity |
|---|---|---|---|---|
| 北京紅楓新能源合夥企業（有限合夥）(Beijing Hongfeng New Energy Partnership (Limited Partnership)*) ("Beijing Hongfeng") | Incorporated | PRC | 90.09% (2022: 90.09%) | Investment holding |
| 北京百數康科技有限公司 (Beijing Baishukang Technology Limited*) ("Beijing Baishukang") | Incorporated | PRC | 65% (2022: N/A) | Technical services |
| 北京清檬養老產業科技有限公司（曾用名：北京清檬國際養老投資管理有限公司）(Beijing Qingmeng Endowment Investment Management Limited*) ("Beijing Qingmeng") | Incorporated | PRC | 2.4% (2022: N/A) | Investment management |
| 新疆江山永恒新能源管理有限責任公司 (Xinjiang Kong Sun Yongheng New Energy Management Co, Ltd.*) ("Xinjiang Kong Sun Yongheng"). | Incorporated | PRC | 49% (2022: N/A) | Energy management contract |

The arrangement of the above investments provided the Group has joint control with other joint venture partners in accordance with relevant contractual agreement in which decisions about the relevant activities require the unanimous consent of the parties sharing control. 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 2023 and 2022 respectively.

## 20. INTEREST IN JOINT VENTURES *(continued)*

### Summarised financial information of the joint venture

Set out below are the summarised financial information of material joint venture:

### Beijing Hongfeng

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Non-current assets | **230,079** | 193,019 |
| Current assets (including cash and cash equivalents of approximately RMB326 in 2023) (2022: RMB126) | **–** | 22,000 |
| Current liabilities | **(2)** | (1) |
| Revenue | **–** | – |
| (Profits)/losses and total comprehensive income for the year | **(15,059)** | 6,982 |
| Depreciation | **–** | – |
| Interest income | **–** | – |
| Income tax expense | **–** | – |

Reconciliation of the above summarised financial information to the carrying amount of the investment in Beijing Hongfeng recognised in the consolidated financial statements:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Equity attributable to the owners of Beijing Hongfeng | **230,077** | 215,018 |
| Proportion of the Group's ownership interests | **90.09%** | 90.09% |
| Carrying amounts of the Group's investment in Beijing Hongfeng | **207,277** | 193,710 |

Set out below are the summarised financial information of immaterial joint ventures:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates | **2,471** | – |
| Loss and total comprehensive income for the year | **1,749** | – |

## 21. GOODWILL

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| At beginning of year | **547** | 547 |
| Transferred to disposal group classified as held for sales (note 28) | **(547)** | – |
| At end of year | **–** | 547 |

## 22. RIGHT-OF-USE ASSETS

| | **Land use rights and lease prepayment** RMB'000 |
|---|---|
| At 1 January 2022 | 191,566 |
| Additions | 112 |
| Amortisation (note 9) | (24,441) |
| Modification | (1,221) |
| Impairment loss on right-of-use assets (note 8) | (8,384) |
| Exchange realignments | 139 |
| Disposals of subsidiaries | (479) |
| At 31 December 2022 and 1 January 2023 | 157,292 |
| Additions | 20,376 |
| Amortisation (note 9) | (23,296) |
| Addition through acquisition of subsidiaries (note 45) | 22,086 |
| Modification | (173) |
| Exchange realignments | 3 |
| Disposals of subsidiaries# | (20,435) |
| Transferred to disposal group classified as held for sales (note 28) | (28,656) |
| At 31 December 2023 | 127,197 |

# For the year ended 31 December 2023, following the completion of the disposal, right-of-use assets disposed of with the carrying amounts of approximately RMB20,435,000, were derecognised to calculate the loss on disposal of subsidiaries for the year (note 44(a)).

## 22. RIGHT-OF-USE ASSETS *(continued)*

The analysis of the carrying amount of right-of-use assets by class of underlying assets is as follows:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Ownership interests in leasehold land and buildings, carried at depreciated cost with remaining lease term of: | | |
| – 44 years (2022: 45 years) | **374** | 401 |
| Other properties leased for own use, carried at depreciated cost over lease terms of 1 to 17 years (2022: 1 to 23 years) | **126,823** | 156,891 |
| | **127,197** | 157,292 |

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

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| **Financial assets measured at fair value through other comprehensive income** | | |
| Unlisted partnership investments (note (a)) | **303,156** | 302,463 |
| Unlisted equity investments (note (b)) | **292,786** | 457,731 |
| | **595,942** | 760,194 |

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

Notes:

(a) As at 31 December 2023 and 2022, the Group's unlisted partnership investments included the followings:

(i) 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 maximum total capital contribution of the Taizhou Jiuan Limited Partnership can be up to RMB2,501,000,000, in which the Group's capital contribution is approximately 19.99% (equivalent to approximately RMB500,000,000).

Pursuant to the Taizhou Jiuan Partnership Agreement, the Taizhou Jiuan Limited Partnership makes 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 debts or provide external guarantees, and cannot engage in high-risk investments such as gold, artwork, real estate project, futures and financial derivatives. The 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 appointing a representative to the investment decision committee comprising five members, procures that the Taizhou Jiuan Limited Partnership carefully selects investment targets and properly manages invested assets.

However, the investment decision committee has to further obtain the final consent of the investment consultation committee before resolving to decide for or against investment in a project, disposal of the partnership's assets or interests, changes to investment interests which affect the partnership, withdrawal from an investment, as well as relevant matters that the investment consultation committee believes may affect the interests of the partnership. The investment consultation committee comprises of two representatives solely appointed by other two partners of Taizhou Jiuan Limited Partnership.

Notwithstanding the Group has the right to appoint a representative in the investment decision committee, the Directors are of the opinion that the ultimate governing body of decision making about the relevant activities of Taizhou Jiuan Limited Partnership retains in investment consultation committee in which the Group has no representative. Given that the Group has no power to control or to exercise significant influence over the financial and operating policies of Taizhou Jiuan Limited Partnership so as to obtain benefits from its activities and does not intend to trade for short-term profit, the Directors designated the above unlisted investment as financial assets at fair value through other comprehensive income.

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

Notes: *(continued)*

(a) *(continued)*

(i) *(continued)*

Movement in investment in Taizhou Jiuan for the years ended 31 December 2023 and 2022 is as follow:

| | **Total contribution** RMB'000 | **Fair value** RMB'000 |
|---|---|---|
| As at 1 January 2022, 31 December 2022 and 2023 (note) | 300,000 | 300,000 |

According to the cooperation agreement ("Cooperation Agreement") entered into between the Group and Taizhou Jiuan Limited Partnership, Taizhou Jiuan Limited Partnership contributed a capital of RMB1,501,000,000 to 常熟宏略光伏電站開發有限公司 (Changshu Honglue Photovoltaic Power Plants Development Co., Ltd.*) ("Changshu Honglue") and then holds 99.96% of Changshu Honglue upon completion of the capital contribution while the Group retains the power to control the financial and operating policies of Changshu Honglue so as to direct its relevant activities and to obtain significant economic benefits from its activities. Changshu Honglue holds six solar power plants project companies, 臨潭天朗新能源科技有限公司 (Lintan Tianlang New Energy Technology Co., Ltd.*) ("Lintan Tianlang"), 六安旭强新能源工程有限公司 (Liuan Xuqiang New Energy Engineering Co., Ltd.*) ("Liuan Xuqiang"), 嘉峪關協合新能源有限公司(Jiayuguan Xiehe New Energy Co. Ltd.*) ("Jiayuguan Xiehe"), 定邊縣晶陽電力有限公司 (Dingbian Jingyang Electric Co., Ltd.*) ("Dingbian Jingyang"), 定邊縣智信達新能源有限公司 (Dingbian County Zhixinda New Energy Limited*) ("Dingbian County Zhixinda") and 化隆縣瑞啟達新能源有限公司 (Hualong County Ruiqida New Energy Limited*) ("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.

Pursuant to the Cooperation Agreement, after repayment by the Group to Taizhou Jiuan Limited Partnership of the pre-agreed price, comprising (i) the cost of equity in the amount of RMB1,501,000,000 to be paid at the end of the term of Taizhou Jiuan Limited Partnership (i.e. 5 years from 2018 to 2022, further extended to 2024); and (ii) premium on equity to be paid in quarterly instalments throughout the term of Taizhou Jiuan Limited Partnership (i.e. 5 years from 2018 to 2022, further extended to 2024), Taizhou Jiuan Limited Partnership will transfer back to the Group the 99.96% equity interest of Changshu Honglue. For the year ended 31 December 2023, the premium on equity paid/payable, in substance a finance cost, amounting to RMB37,916,000 (2022: RMB54,810,000) was recognised under "finance cost" in the consolidated statement of profit or loss and, as at 31 December 2023, the accumulated premium on equity paid/payable to Taizhou Jiuan Limited Partnership amounted to RMB420,156,000 (2022: RMB382,240,000).

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 are of the opinion that the arrangement under the Cooperation Agreement is in substance a financing arrangement of RMB1,501,000,000 (included under "Loans and other borrowings" (note 31) with the pledge of the 99.96% equity interests of Changshu Honglue and therefore Changshu Honglue is continuously treated as a wholly-owned subsidiary of the Company.

During the year ended 31 December 2021, given Lintan Tianlang and Jiayuguan Xiehe were disposed, the Group had to early repay the pre-agreed consideration to Taizhou Jiuan Limited Partnership in respect of Lintan Tianlang and Jiayuguan Xiehe total amounting to approximately RMB341,161,000, in order to release the pledge of their respective equity interest of 99.96%.

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

Notes: *(continued)*

(a) *(continued)*

(i) *(continued)*

During the year ended 31 December 2022, given Hualong County Ruiqida New Energy Limited was disposed of as disclosed in note 44(b), the Group had to early repay the pre-agreed consideration to Taizhou Jiuan Limited Partnership in respect of Hualong County Ruiqida New Energy Limited amounting to approximately RMB131,000,000, in order to release the pledge of their respective equity interest of 99.96%.

During the year ended 31 December 2023, given Dingbian Country Zhixinda New Energy Limited was disposed of as disclosed in note 44(a), the Group had to early repay the pre-agreed consideration to Taizhou Jiuan Limited Partnership in respect of Dingbian Country Zhixinda New Energy Limited amounting to approximately RMB334,931,000, in order to release the pledge of their respective equity interest of 99.96%.

Details of the Taizhou Jiuan Limited Partnership are set out in the Company's announcements dated 30 September 2017 and 13 December 2017, respectively.

(ii) 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 the Huoerguosi Partnership Agreement, the maximum total capital contribution of the Huoerguosi Limited Partnership can be up to RMB200,000,000, in which the Group's capital contribution is approximately 89.55% (equivalent to approximately RMB179,100,000).

Notwithstanding the Group has the equity interest of 89.55%, pursuant to Huoerguosi Partnership Agreement, the investment manager has the exclusive right to make all decisions on the financial and operating policies. In addition, the limited partners can only remove the investment manager on the occurrence of an event of cause such as breach of contract, fraud, felony or gross negligence and therefore the kick-out right is not considered to have any substance. Based on the foregoing, the Directors are of opinion that the Group has no power to govern or participate in the financial and operating policies of Huoerguosi Limited Partnership so as to obtain benefits from its activities and does not intend to trade for short-term profit, the Directors designated the above unlisted investment as financial assets at fair value through other comprehensive income.

Movement in investment in Huoerguosi Limited Partnership for the years ended 31 December 2023 and 2022 are as follow:

| | **Total contribution** RMB'000 | **Fair value** RMB'000 |
|---|---|---|
| As at 1 January 2022 | 99,232 | 2,464 |
| Capital injection | 18 | 18 |
| Fair value loss recognised in other comprehensive income | – | (19) |
| As at 31 December 2022 and 1 January 2023 | 99,250 | 2,463 |
| Fair value gain recognised in other comprehensive income | – | 693 |
| As at 31 December 2023 | 99,250 | 3,156 |

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

Notes: *(continued)*

(b) As at 31 December 2023 and 2022, 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 an 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).

Total consideration of the Subscription A and Subscription B was approximately RMB191,174,000. In 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. As at 31 December 2023, this unlisted equity investment held by the Group, at fair value, represents approximately 4.88% (2022: 4.88%) the total number of shares 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.

Unlisted equity investment in Hohhot Jingu Bank is measured at fair value. For the year ended 31 December 2023, a fair value loss of approximately RMB17,862,000 (2022: a fair value gain of approximately RMB18,927,000) was recognised in other comprehensive income. The fair value of this investment in Hohhot Jingu Bank as at 31 December 2023 of approximately RMB163,243,000 (2022: RMB181,105,000) was determined with reference to the valuation report prepared by an independent professional qualified valuer.

(ii) On 30 March 2017, a wholly-owned subsidiary of the Company entered into two share transfer agreements with two venders, being an independent third party to the Group, to acquire 107,500,000 domestic shares of Bank of Jinzhou Co., Ltd. ("Jinzhou Bank"), a bank based in the PRC, at the price of RMB7.9161 per domestic share. 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. As at 31 December 2023, this unlisted equity investment held by the Group, at fair value, represents approximately 1.03% (2022: 1.03%) and approximately 0.77% (2022: 0.77%) of the total number of domestic shares and the total number of shares (including domestic shares and H-shares) of Jinzhou Bank, respectively.

Unlisted equity investment in Jinzhou Bank is measured at fair value. For the year ended 31 December 2023, a fair value loss of approximately RMB147,083,000 (2022: RMB4,739,000) was recognised in other comprehensive income. The fair value of this unlisted equity investment of Jinzhou Bank as at 31 December 2023 of approximately RMB129,543,000 (2022: RMB276,626,000) was determined with reference to the valuation report prepared by an independent professional qualified valuer.

As at 31 December 2023, unlisted equity investments measured at fair value with the carrying value of approximately RMB129,543,000 (2022: RMB276,626,000) were pledged as securities for the Group's loans and borrowings (note 31).

(iii) Subsequent to the acquisition of subsidiaries (note 45), as at 31 December 2023, the Group held an unlisted equity investment, at fair value, represents approximately 6.95% of a private group, 北京京西南樓醫療技術服務有限公司("北京京西南樓").

Unlisted equity investment in 北京京西南樓 is measured at fair value. The fair value of this unlisted equity investment of 北京京西南樓 at date of acquisition and as at 31 December 2023 of approximately RMB Nil was determined with reference to the valuation report prepared by an independent professional qualified valuer.

## 24. INTANGIBLE ASSETS

| | Trademarks RMB'000 | Computer software RMB'000 | Development cost RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Addition through the acquisition of subsidiaries (note 45) | 10 | 2,128 | 8,501 | 10,639 |
| At 31 December 2023 | 10 | 2,128 | 8,501 | 10,639 |
| **Accumulated amortisation and impairment loss** | | | | |
| At 31 December 2023 | – | – | – | – |
| **Net carrying amount** | | | | |
| At 31 December 2022 | – | – | – | – |
| At 31 December 2023 | 10 | 2,128 | 8,501 | 10,639 |

Following to the acquisition of subsidiaries (note 45), the Group recorded intangible assets amounted to RMB10,639,000. The Group's development costs for the self-developing computer systems used for generating revenue in the health management service business.

## 25. INVENTORIES

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Solar power plants – consumables | **1,567** | 1,923 |
| Raw materials | **2,957** | – |
| Work in progress | **491** | – |
| Finished goods | **9,457** | – |
| Good in transit | **514** | – |
| | **14,986** | 1,923 |

During the year ended 31 December 2023, no (2022: RMB637,000) write-down of inventories is recorded in other gain and loss (note 8).

## 26. TRADE, BILLS AND OTHER RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Trade receivables | | |
| – Receivable from health management services (note (i)) | **17,993** | – |
| – Receivable from sales of electricity (note (i)) | **4,388** | 53,499 |
| – Tariff adjustment receivables (note (i)) | **445,967** | 929,580 |
| – Loan receivables (note (ii)) | **681,609** | 408,316 |
| – Receivable from provision of solar power plant operation and maintenance services (note (i)) | **58,612** | 53,504 |
| | **1,208,569** | 1,444,899 |
| Bills receivables (note (i)) | **–** | 40,000 |
| Impairment provision for trade receivables | **(67,709)** | (32,691) |
| Trade and bills receivables, net | **1,140,860** | 1,452,208 |
| Other receivables, prepayments and deposits | | |
| – Prepaid expenses | **90,094** | 56,612 |
| – Value-added-tax ("VAT") receivables (note (iii)) | **10,941** | 16,816 |
| – Consideration receivables in respect of disposal of subsidiaries (note (iv)) | **634,842** | 326,452 |
| – Amounts due from disposed subsidiaries (note (iv)) | **50,222** | 93,653 |
| – Security deposits (note (v)) | **32,848** | 43,352 |
| – Amounts due from independent third parties (note (vi)) | **233,755** | 402,908 |
| | **1,052,702** | 939,793 |
| Impairment provision for other receivables | **(267,684)** | (191,102) |
| Other receivables, prepayments and deposits, net | **785,018** | 748,691 |
| | **1,925,878** | 2,200,899 |
| Less: Amount shown under non-current assets | | |
| Loan receivables, net | **(185,863)** | (176,234) |
| Receivable from health management services, net | **(5,977)** | – |
| Amount shown under current assets | **1,734,038** | 2,024,665 |

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

Ageing analysis of trade receivables (net of impairment), based on invoice dates, is as follows:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Less than 3 months | **651,750** | 497,391 |
| Over 3 months but less than 6 months | **29,793** | 62,570 |
| Over 6 months but less than 12 months | **50,420** | 97,110 |
| Over 12 months but less than 24 months | **112,152** | 211,504 |
| Over 24 months | **296,745** | 543,633 |
| | **1,140,860** | 1,412,208 |

Ageing analysis of trade receivables (net of impairment), based on due dates, is as follows:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Neither past due nor impaired | **555,512** | 435,773 |
| Less than 3 months past due | **107,963** | 85,327 |
| Over 3 months but less than 6 months past due | **27,863** | 61,435 |
| Over 6 months but less than 12 months past due | **48,752** | 92,702 |
| Over 12 months but less than 24 months past due | **111,379** | 215,321 |
| Over 24 months past due | **289,391** | 521,650 |
| | **1,140,860** | 1,412,208 |

Movements in provision for impairment of trade and other receivables for the years ended 31 December 2023 and 2022 are as follows:

| | **Trade receivables** RMB'000 | **Other receivables** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| At 1 January 2022 | 24,907 | 282,581 | 307,488 |
| Impairment made during the year | 19,934 | 124,303 | 144,237 |
| Write-off | (6,366) | (209,053) | (215,419) |
| Reversal of impairment loss | (5,784) | (3,042) | (8,826) |
| Disposal of subsidiaries | – | (3,687) | (3,687) |
| At 31 December 2022 and 1 January 2023 | 32,691 | 191,102 | 223,793 |
| Addition through acquisition of subsidiaries | 1,036 | – | 1,036 |
| Impairment made during the year | 50,296 | 142,948 | 193,244 |
| Write-off | (10,817) | (34,894) | (45,711) |
| Reversal of impairment loss | (5,497) | (31,471) | (36,968) |
| Transferred to disposal group classified as held for sale | – | (1) | (1) |
| At 31 December 2023 | 67,709 | 267,684 | 335,393 |

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

Notes:

(i) Trade receivables are generated from sales of electricity, provision of solar power plant operation and maintenance services, financial services and provision of health management services whilst bills receivables represented outstanding commercial acceptance bills. Generally, these receivables are due within 30 to 180 days (2022: 30 to 180 days) from the date of billing, except for the tariff adjustment receivables.

Tariff adjustment receivables represent the PRC government subsidies on solar power plants to be received from the state-grid companies based on the respective electricity sale and purchase agreements for each of the solar power plants and the prevailing nationwide government policies, details of which and ECLs are set out in note 51.1(a)(i).

As at 31 December 2023, certain trade and tariff adjustment receivables arising from the sales of electricity and tariff adjustment receivable amounting to approximately RMB300,336,000 (2022: RMB439,125,000) were pledged as securities for the Group's loans and borrowings (note 31).

(ii) The types of loan receivables are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Credit loans | **607,755** | 302,724 |
| Guaranteed loans | **14,537** | 46,274 |
| Collateral-backed loans | **59,317** | 59,318 |
| | **681,609** | 408,316 |

The repayment period of the credit loans, guaranteed loans and collateral-backed loan receivables ranges from 2 months to 36 months, 2 months to 36 months and 6 months to 36 months (2022: 2 months to 36 months, 2 months to 36 months and 6 months to 36 months), respectively, and are denominated in RMB. The credit loans, guaranteed loans and collateral-backed loan receivables carry effective interest ranging from 6.0% to 24.0% p.a., 6.0% to 24.0% p.a. and 9.0% to 15.0% p.a.(2022: 6.0% to 24.0% p.a., 6.0% to 25.0% p.a. and 9.0% to 15.0% p.a.), respectively. Details of ECLs on loan receivables are set out in note 51.1(a)(ii).

(iii) The amount represented the VAT paid by the Group in relation to the construction of solar power plants which will be utilised and offset against the VAT payables for the sale of electricity.

(iv) The amounts represented the consideration receivables and outstanding balances due from former subsidiaries in relation to the disposals occurred during the years 2022 and 2023. These amounts were unsecured, interest free and repayable according to the conditions of settlement set out in respective equity transfer agreement which is due within one year from the completion of the disposals. The Group expects these amounts would be settled within the next 12 months after the end of the reporting period. Details of ECLs on other receivables are set out in note 51.1(a)(v).

(v) The amount represented deposits placed by the Group in the security deposits account opened in independent leasing companies. Pursuant to the leasing agreements, offsetting rights have been granted by the Group to the independent leasing companies, allowing them to offset the entire security deposits against the Group's outstanding borrowings from these leasing companies.

(vi) The amounts due from independent third parties, except the gross carrying amount of RMB100,000,000 which was secured by collateral provided by independent third party, with an interest rate of 8% per annum and fixed terms agreed upon with the debtor, were unsecured, interest free and repayable on demand.

## 27. CASH AND CASH EQUIVALENTS

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Cash at banks | **254,778** | 301,979 |

Included in cash and cash equivalents of the Group is approximately RMB244,839,000 (2022: RMB299,525,000) of bank balances denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

## 28. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

### 2023 disposal group

As at 31 December 2023, assets and liabilities relating to 黃石黃源光伏電力開發有限公司 (Huangshi Huangyuan Photovoltaic Power Development Limited*) ("Huangshi Huangyuan"), 定邊縣晶陽電力有限公司 (Dingbian Jingyang Electricity Limited*) ("Dingbian Jingyang"), 定邊縣萬和順新能源發電有限公司 (Dingbian Wanheshun New Energy Power Generation Limited*) ("Dingbian Wanheshun") and 榆林正信電力有限公司 (Yulin Zhengxin Electricity Limited*) ("Yulin Zhengxin"), were presented as disposal group held for sale following the sale and purchase agreements dated 11 August 2023 entered into between the Group and the purchasers, who are independent third parties. The principal activities of these subsidiaries were generation and sales of electricity. These subsidiaries are collectively referred to as the 2023 disposal group. Disposal of these subsidiaries have not been completed as at 31 December 2023.

Management assessed that each of entities within the 2023 disposal group are available for immediate sale in its present condition and the disposals are expected to be highly probable and would be completed within twelve months after the end of the reporting period. The disposal of Huangshi Huangyuan, Dingbian Jingyang, Dingbian Wanheshun and Yulin Zhengxin were approved by the shareholders in an extraordinary general meeting held on 20 September 2023.

In accordance with HKFRS 5, assets and liabilities relating to these subsidiaries were disposal group classified as held for sale in the consolidated statement of financial position as at 31 December 2023. The disposal did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation.

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

### 2023 disposal group *(continued)*

The Directors regard the sale proceeds less directly attributable costs which amounted to approximately RMB350,179,000 as the fair value less cost of disposal for the disposal of these subsidiaries.

| | RMB'000 |
|---|---|
| Property, plant and equipment (note 17) | **407** |
| Solar power plants (note 18) | **637,002** |
| Goodwill (note 21) | **547** |
| Right-of-use assets (note 22) | **28,656** |
| Inventories | **195** |
| Trade and other receivables | **644,589** |
| Amounts due from group companies | **217,781** |
| Cash and cash equivalents | **2,677** |
| | **1,531,854** |
| Less: Amounts due from group companies | **(217,781)** |
| Impairment loss on disposal group classified as held for sale | **(61,444)** |
| Total assets classified as held for sale | **1,252,629** |
| Trade and other payables | **(56,399)** |
| Dividend payables | **(129,072)** |
| Amounts due to group companies | **(730,688)** |
| Loans and borrowings | **(206,356)** |
| Tax payable | **(825)** |
| Lease liabilities (note 37) | **(6,102)** |
| | **(1,129,442)** |
| Less: Amounts due to group companies | **730,688** |
| Less: Dividend payables | **129,072** |
| Total liabilities classified as held for sale | **(269,682)** |

## 29. TRADE AND OTHER PAYABLES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Trade payables | **24,475** | 104,306 |
| Other payables and accruals | **643,922** | 282,127 |
| | **668,397** | 386,433 |

## 29. TRADE AND OTHER PAYABLES *(continued)*

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

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Current or less than 3 months | **11,657** | 32,147 |
| Over 3 months but less than 6 months | **72** | 10,027 |
| Over 6 months but less than 12 months | **28** | 8,914 |
| Over 12 months | **12,718** | 53,218 |
| | **24,475** | 104,306 |

As at 31 December 2023, no retentions payable (2022: RMB5,850,000) which are included in other payables and accruals, will be settled or summarised as income after more than one year. All other trade and other payables are expected to be settled within one year or are repayable on demand.

## 30. CONTRACT LIABILITIES

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Contract liabilities arising from sales contracts | **140** | – |

Certain deposits the Group received from the sale of health management products remain as a contract liability until such time as the work completed to date outweighs it.

The movements in contract liabilities are as follow:

| | **RMB'000** |
|---|---|
| Addition from acquisition of subsidiaries (note 45) | **140** |
| Balance as at 31 December 2023 | **140** |

## 31. LOANS AND BORROWINGS

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| **Current** | | |
| Secured | | |
| – bank loans | **28,000** | 207,500 |
| – other borrowings | **998,803** | 185,171 |
| | **1,026,803** | 392,671 |
| **Non-current** | | |
| Secured | | |
| – bank loans | **196,970** | – |
| – other borrowings | **435,443** | 1,641,748 |
| | **632,413** | 1,641,748 |
| Total loans and borrowings | **1,659,216** | 2,034,419 |

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

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Within 1 year | **1,026,803** | 392,671 |
| After 1 year but within 2 years | **87,681** | 1,416,228 |
| After 2 years but within 5 years | **287,917** | 179,331 |
| Over 5 years | **256,815** | 46,189 |
| | **1,659,216** | 2,034,419 |

Loans and other borrowings bear interest ranging from 3.45% to 8.56% (2022: 4.90% to 10.25%) per annum.

## 31. LOANS AND BORROWINGS *(continued)*

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

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Fixed-rate borrowings | **1,172,530** | 1,567,241 |
| Floating-rate borrowings | **486,686** | 467,178 |
| | **1,659,216** | 2,034,419 |

The loans and borrowings were secured by the following assets:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Solar power plants (note 18) | **382,345** | 998,866 |
| Trade receivables (note 26) | **300,336** | 439,125 |
| Unlisted equity investments, at fair value (note 23) | **129,543** | 276,626 |
| | **812,224** | 1,714,617 |

As at 31 December 2023, other borrowings of approximately RMB679,810,000 (2022: RMB1,014,741,000) were also secured by 99.96% equity interests of Changshu Honglue and its subsidiaries including Liuan Xuqiang and Dingbian Jingyang.

## 32. CORPORATE BONDS

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| At beginning of the year | **15,796** | 81,204 |
| Imputed interest expense (note 13) | **707** | 2,089 |
| Interest paid/payable | **(405)** | (918) |
| Repayment | **–** | (71,289) |
| Exchange realignment | **230** | 4,710 |
| At end of the year | **16,328** | 15,796 |

As at 31 December 2023, corporate bonds denominated in HK$ with an aggregate principal amount of HK$19,000,000 (equivalent to approximately RMB17,218,000) (2022: HK$19,000,000 (equivalent to approximately RMB16,972,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 6% (2022: 3% to 6%) per annum, and will mature on the date immediately following 36 to 96 months (2022: 36 to 96 months) after their issuance.

During the year ended 31 December 2023, the Group repaid HK$ Nil (equivalent to approximately RMB Nil) (2022: HK$83,000,000 (equivalent to approximately RMB71,289,000) in aggregate principal amount of the corporate bonds.

The corporate bonds are measured at amortised cost using effective interest method by applying effective interest rates of 10.40% (2022: 10.40%) per annum. Imputed interest of approximately HK$785,000 (equivalent to approximately RMB707,000) (2022: HK$2,432,000 (equivalent to approximately RMB2,089,000)) (note 13) in respect of the corporate bonds was recognised in profit or loss during the year ended 31 December 2023.

As at 31 December 2023, corporate bonds amounting to approximately HK$10,000,000 (equivalent to approximately RMB9,062,000) (2022: HK$10,000,000 (equivalent to approximately RMB8,933,000)) and approximately HK$8,017,958 (equivalent to approximately RMB7,266,000) (2022: HK$7,682,000 (equivalent to approximately RMB6,863,000)) were classified as current liabilities and non-current liabilities, respectively.

## 33. DEFERRED TAX ASSETS

Movement of the deferred tax assets during the year is as follows:

| | **Impairment of assets** RMB'000 |
|---|---|
| At 1 January 2022 | 8,121 |
| Disposal of subsidiaries (note 44 (b)) | (233) |
| Credited to profit or loss (note 14) | 4,067 |
| At 31 December 2022 | **11,955** |
| Credited to profit or loss (note 14) | **209** |
| At 31 December 2023 | **12,164** |

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 RMB1,569,769,000 (2022: RMB1,537,166,000). 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.

## 34. SHARE CAPITAL

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Number of shares '000** | **RMB'000** | Number of shares '000 | RMB'000 |
| **Issued and fully paid** | | | | |
| At beginning and end of year | **14,964,442** | **6,486,588** | 14,964,442 | 6,486,588 |

## 35. 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 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 2022 | 144,218 | 47,670 | (2,987,387) | (2,795,499) |
| Total comprehensive income for the year | 102,634 | – | (419,861) | (317,227) |
| Equity-settled share-based transactions (note 10) | – | 316 | – | 316 |
| Lapse of share options | – | (47,986) | 47,986 | – |
| At 31 December 2022 and 1 January 2023 | **246,852** | **–** | **(3,359,262)** | **(3,112,410)** |
| Total comprehensive income for the year | **153,990** | **–** | **(632,367)** | **(478,377)** |
| At 31 December 2023 | **400,842** | **–** | **(3,991,629)** | **(3,590,787)** |

### (i) PRC statutory reserve

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

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

### (ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside PRC.

## 35. RESERVES *(continued)*

### (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 these financial assets held by the Group as at year-end dates.

### (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.

## 36. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2023 nor has any dividend been proposed since the end of reporting period (2022: Nil).

## 37. LEASE LIABILITIES

The Group leases various parcels of land and property. 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:

| | RMB'000 |
|---|---|
| As at 1 January 2022 | 145,238 |
| Interest expenses (note 13) | 5,395 |
| Modification | (1,221) |
| Lease payments | (17,744) |
| Disposals of subsidiaries | (1,835) |
| Exchange realignments | 150 |
| As at 31 December 2022 | **129,983** |
| Additions | **20,376** |
| Addition through acquisition of subsidiaries (note 45) | **21,287** |
| Interest expenses (note 13) | **7,764** |
| Modification | **(2,344)** |
| Lease payments | **(16,191)** |
| Transferred to liabilities of disposal group classified as held for sale (note 28) | **(6,102)** |
| Disposals of subsidiaries# | **(7,478)** |
| Exchange realignments | **4** |
| As at 31 December 2023 | **147,299** |

\# For the year ended 31 December 2023, following the completion of the disposal, lease liabilities disposed of during the year with the carrying amounts of approximately RMB7,478,000, were derecognised to calculate the loss on disposal of subsidiaries for the year (note 44(a)).

## 37. LEASE LIABILITIES *(continued)*

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

| | Minimum lease payments RMB'000 | Interest RMB'000 | Present value RMB'000 |
|---|---|---|---|
| **As at 31 December 2022** | | | |
| Not later than one year | 20,299 | (6,889) | 13,410 |
| Later than one year but not later than two years | 14,550 | (6,315) | 8,235 |
| Later than two year but not later than five years | 57,692 | (20,588) | 37,104 |
| Later than five years | 95,608 | (24,374) | 71,234 |
| | 188,149 | (58,166) | 129,983 |
| **As at 31 December 2023** | | | |
| Not later than one year | **30,169** | **(7,540)** | **22,629** |
| Later than one year but not later than two years | **30,286** | **(7,251)** | **23,035** |
| Later than two year but not later than five years | **69,595** | **(14,045)** | **55,550** |
| Later than five years | **61,440** | **(15,355)** | **46,085** |
| | **191,490** | **(44,191)** | **147,299** |

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

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Current | **22,629** | 13,410 |
| Non-current | **124,670** | 116,573 |
| | **147,299** | 129,983 |

## 38. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Interests in subsidiaries | | **–** | – |
| Right-of-use assets | | **3,309** | 930 |
| | | **3,309** | 930 |
| **Current assets** | | | |
| Other receivables | | **1,756** | 1,804 |
| Amounts due from subsidiaries | | **3,295,948** | 3,768,994 |
| Cash and cash equivalents | | **4,242** | 1,161 |
| | | **3,301,946** | 3,771,959 |
| **Current liabilities** | | | |
| Trade and other payables | | **4,730** | 4,170 |
| Amount due to subsidiaries | | **385,110** | 377,761 |
| Lease liabilities | | **1,215** | 984 |
| Corporate bonds | 32 | **9,062** | 8,933 |
| | | **400,117** | 391,848 |
| **Net current assets** | | **2,901,829** | 3,380,111 |
| Total assets less current liabilities | | **2,905,138** | 3,381,041 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **2,071** | – |
| Corporate bonds | 32 | **7,266** | 6,863 |
| | | **9,337** | 6,863 |
| **NET ASSETS** | | **2,895,801** | 3,374,178 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 34 | **6,486,588** | 6,486,588 |
| Reserves | 35 | **(3,590,787)** | (3,112,410) |
| **TOTAL EQUITY** | | **2,895,801** | 3,374,178 |

On behalf of the directors

**Xian He**
*Executive Director*

## 39. COMMITMENTS

### Capital commitments

At 31 December 2023, the Group had outstanding capital commitments as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Contracted but not provided for in respect of | | |
| – the construction costs and service expense for solar power plants under development (note) | **16,188** | 27,385 |

Note: As at 31 December 2023, certain outstanding capital commitments in respect of construction costs and service expense for solar power plants under development amounting to approximately RMB10,307,000 (2022: RMB Nil) are attributable to a subsidiary classified as held for sale.

## 40. 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 RMB1,400) (2022: 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 plans is to make the specified contributions.

During the year ended 31 December 2023, total retirement benefit cost charged to the profit or loss amounted to approximately RMB43,630,000 (2022: RMB28,927,000) (note 10).

## 41. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 22 July 2009 whereby the Directors are authorised, at their discretion, to invite 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.

## 41. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

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 4 options with exercise price of HK$0.30 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 with exercise price of HK$0.41 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 4 options with exercise price of HK$0.30 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 with exercise price of HK$0.41 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 | 730,350,000 | | |

## 41. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

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

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Weighted exercise price HK$** | **Number of options** | Weighted exercise price HK$ | Number of options |
| Outstanding at the beginning of the year | **–** | **–** | 0.36 | 364,670,000 |
| Lapsed during the year | **–** | **–** | 0.36 | (364,670,000) |
| Outstanding at the end of the year | **–** | **–** | – | – |
| Exercisable at the end of the year | **–** | **–** | – | – |

No share options were granted during the years ended 31 December 2023 and 2022. During the year ended 31 December 2022, 364,670,000 share options were lapsed. As at 31 December 2023, the Company did not have any outstanding share option under the Scheme accordingly (2022: Nil).

## 42. 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 principal place of operation | Paid up capital/ registered capital | Proportion of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 江山豐融投資有限公司Jiangshan Fengrong^ | PRC | RMB1,200,000,000 (2022: RMB1,200,000,000) | – | 100% (2022: 100%) | Investment holding |
| 強茂能源鄂爾多斯市有限責任公司 (Qiangmao Energy Eerduosi Limited)^ | PRC | RMB18,000,000 (2022: RMB18,000,000) | – | 100% (2022: 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 (2022: RMB77,000,000) | – | 100% (2022: 100%) | 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 (2022: RMB5,952,589,659/ HK$8,000,000,000) | – | 100% (2022: 100%) | Investment holding |
| 江山永泰投資控股有限公司 (Kong Sun Yongtai Investment Holdings Limited)^ | PRC | RMB5,790,180,000/ RMB6,000,000,000 (2022: RMB5,790,180,000/ RMB6,000,000,000) | – | 100% (2022: 100%) | Investment holding |
| 榆林正信電力有限公司 (Yulin Zhengxin Electricity Limited)^ | PRC | RMB66,000,000/ RMB99,000,000 (2022: RMB66,000,000/ RMB99,000,000) | – | 100% (2022: 100%) | Solar power generation |
| 定邊縣智信達新能源有限公司 Dingbian County Zhixinda^ | PRC | RMB Nil (2022: RMB350,000,000) | – | Nil (2022: 100%) (note 23(a)(i)) | Solar power generation |
| 廣州寶乾互聯網小額貸款有限公司 (Guangzhou Baoqian Internet Microfinance Limited)^ | PRC | RMB200,000,000 (2022: RMB200,000,000) | – | 83.85% (2022: 83.85%) | Financial services |

## 42. INTERESTS IN SUBSIDIARIES *(continued)*

| Name of subsidiary | Place of incorporation and principal place of operation | Paid up capital/ registered capital | Proportion of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 肥西中暉光伏發電有限公司 (Feixi Zhonghui Photovoltaic Power Limited)^ | PRC | RMB40,000,000 (2022: RMB40,000,000) | – | 100% (2022: 100%) | Solar power generation |
| 常熟宏略光伏電站開發有限公司 Changshu Honglue^ | PRC | RMB1,501,000,000 (2022: RMB1,501,000,000) | – | 100% (2022: 100%) (note 23(a)(i)) | Solar power generation |
| 定邊縣晶陽電力有限公司 Dingbian Jingyang^ | PRC | RMB246,000,000 (2022: RMB245,351,000/ RMB246,000,000) | – | 100% (2022: 100%) (note 23(a)(i)) | 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 (2022: RMB995,000/ RMB56,000,000) | – | 100% (2022: 100%) | Solar power generation |
| 六安旭强新能源工程有限公司 Liuan Xuqiang^ | PRC | RMB270,000,000 (2022: RMB270,000,000) | – | 100% (2022: 100%) (note 23(a)(i)) | Solar power generation |
| 黃石黃源光伏電力開發有限公司 (Wangshi Wangyuan Photovoltaic Power Development Limited)^ | PRC | RMB52,000,000/ RMB113,700,000 (2022: RMB50,000,000/ RMB113,700,000) | – | 100% (2022: 100%) | Solar power generation |
| 宿州旭强新能源工程有限公司 (Xiuzhou Xuqiang New Energy Engineering Limited)^ | PRC | RMB60,000,000 (2022: RMB60,000,000) | – | 100% (2022: 100%) | Solar power generation |
| 大同市皖銅新能源有限公司 (Datong Wantong New Energy Limited)^ | PRC | RMB36,000,000 (2022: RMB36,000,000) | – | 100% (2022: 100%) | Solar power generation |
| 江蘇海闊能源有限公司 (Jiangsu Haikuo Energy Limited) ("Jiangsu Haikuo") ^ | PRC | RMB10,000,000 (2022: RMB10,000,000) | – | 100% (2022: 100%) | Trading of LNG |

## 42. INTERESTS IN SUBSIDIARIES *(continued)*

| Name of subsidiary | Place of incorporation and principal place of operation | Paid up capital/ registered capital | Proportion of equity interest attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 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 (2022: RMB100,000,000) | – | 55% (2022: 55%) | Microfinancial business |
| 嵊州懿暉光伏發電有限公司 (Shengzhou Yihui Photovoltaic Power Generation Limited)^ | PRC | RMB Nil (2022: RMB40,000,000) | – | Nil (2022: 100%) | Solar power generation |
| 北京鑫泰綠能科技有限公司 (Beijing Xintai Green Energy Technology Co., Ltd.) ^ | PRC | RMB60,000,000 (2022: RMB30,000,000/ RMB60,000,000) | – | 100% (2022: 100%) | Solar power plant operation and maintenance services |
| 陝西億潤新能源科技有限公司 (Shaanxi Yirun New Energy Technology Co., Ltd.)^ | PRC | RMB30,000,000/ RMB60,000,000 (2022: RMB30,000,000/ RMB60,000,000) | – | 100% (2022: 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 | RMB1,000,000 (2022: RMB1,000,000) | – | 100% (2022: 100%) | Solar power generation |
| 北京鷹之眼智能健康科技有限公司 (Beijing Eagle Eye)^ | PRC | RMB354,836,168 (2022:Nil) | – | 69.45% (2022: Nil) | Smart Medical and Health Management |

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

## 43. NON-CONTROLLING INTERESTS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| At beginning of year | **88,050** | 83,491 |
| Addition through acquisition of subsidiaries (note 45) | **(6,913)** | – |
| Profits for the year attributable to non-controlling interests | **7,151** | 4,559 |
| At end of year | **88,288** | 88,050 |

Non-controlling interests of non-wholly owned subsidiaries are considered to be immaterial.

## 44. DISPOSALS OF SUBSIDIARIES

(a) During the year ended 31 December 2023, the Group completed the disposal of the entire equity interests in certain subsidiaries at a total cash consideration of approximately RMB407,848,000 (adjusted after negotiations with certain purchasers in respect of outstanding rectification works of certain solar power plants). The subsidiaries are set out below:

| Name of entities | Disposal date |
|---|---|
| 嵊州懿輝光伏發電有限公司<br>Shengzhou Yihui Photovoltaic Power Generation Limited | 18 October 2023 |
| 定邊縣智信達新能源有限公司<br>Dingbian Country Zhixinda New Energy Limited | 20 October 2023 |

These subsidiaries are principally engaged in the operation of solar power plants and electricity generation. Details have been set out in the Company's circular dated 31 August 2023 and the Company's announcements on 11 August 2023, respectively.

## 44. DISPOSALS OF SUBSIDIARIES *(continued)*

(a) *(continued)*

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

| | RMB'000 |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment (note 17) | **474** |
| Solar power plants (note 18) | **362,798** |
| Right-of-use assets (note 22) | **20,435** |
| Trade and other receivables | **424,673** |
| Cash and cash equivalents | **5,623** |
| Trade and other payables | **(5,702)** |
| Lease liabilities (note 37) | **(7,478)** |
| Loans and borrowings | **(359,205)** |
| | **441,618** |
| Net loss on disposal of subsidiaries | **(33,770)** |
| Total cash consideration | **407,848** |

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

| | RMB'000 |
|---|---|
| Net cash inflows arising from disposal of subsidiaries: | |
| Total consideration | **407,848** |
| Cash and cash equivalents disposed of | **(5,623)** |
| Consideration receivables in respect of disposal of subsidiaries | **(341,202)** |
| | **61,023** |

## 44. DISPOSALS OF SUBSIDIARIES *(continued)*

(b) During the year ended 31 December 2022, the Group disposed of the entire equity interests in certain subsidiaries at a total cash consideration of approximately RMB531,135,000 (adjusted after negotiations with certain purchasers in respect of outstanding rectification works of certain solar power plants). The subsidiaries are set out below:

| Name of entities | Disposal date |
|---|---|
| 化隆縣瑞啟達新能源有限公司<br>Hualong County Ruiqida New Energy Limited | 28 January 2022 |
| 應縣永熙新能源有限公司<br>Yingxian Yongxi New Energy Co., Ltd. | 28 April 2022 |
| 濟源大峪江山光伏發電有限公司<br>Jiyuan Dayu Jiangshan Guangfu Power Generation Limited | 27 June 2022 |
| 寶豐縣鑫泰光伏電力科技開發有限公司<br>Baofeng Xintai Photovoltaic Power Technology Development Limited | 30 June 2022 |
| 懷仁縣永沐新能源有限公司<br>Huairen Yongmu New Energy Co., Ltd. | 18 July 2022 |
| 黃驊市啟明新能源有限公司<br>Huanghua Qiming New Energy Co., Ltd. | 26 October 2022 |
| 黃驊市正陽新能源有限公司<br>Huanghua Zhengyang New Energy Co., Ltd | 26 October 2022 |
| 黃驊市正驊新能源有限公司<br>Huanghua Zhenghua New Energy Co., Ltd | 26 October 2022 |

These subsidiaries are principally engaged in the operation of solar power plants and electricity generation. Details have been set out in the Company's circular dated 30 August 2021 and 19 May 2022 and the Company's announcements on 11 July 2021 and 25 March 2022, respectively.

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

## 44. DISPOSALS OF SUBSIDIARIES *(continued)*

(b) *(continued)*

| | RMB'000 |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 710 |
| Solar power plants | 985,323 |
| Right-of-use assets | 31,406 |
| Deferred tax assets (note 33) | 233 |
| Trade and other receivables | 627,259 |
| Cash and cash equivalents | 6,869 |
| Trade and other payables | (558,255) |
| Tax payables | (849) |
| Lease liabilities | (23,398) |
| Loans and borrowings | (449,789) |
| | 619,509 |
| Impairment loss on disposal group held for sale recognised in prior year | (79,787) |
| Net loss on disposal of subsidiaries | (8,587) |
| Total cash consideration | 531,135 |

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

| | RMB'000 |
|---|---|
| Net cash inflows arising from disposal of subsidiaries: | |
| Total consideration | 531,135 |
| Cash and cash equivalents disposed of (including cash and cash equivalents in disposal group held for sale) | (6,869) |
| Consideration receivables in respect of disposal of subsidiaries | (120,463) |
| | 403,803 |

## 45. ACQUISITION OF SUBSIDIARIES

### Acquisition of 69.45% equity interest in Beijing Eagle Eye Intelligent Health Technology Co., LTD. ("北京鷹之眼智能健康科技有限公司") ("Beijing Eagle Eye")

On 29 December 2023, the Group entered into a sale and purchase agreement with a connected person, pursuant to which the Group agreed to acquire 69.45% equity interest of Beijing Eagle Eye at an aggregate cash consideration of RMB6,000,000. The acquisition was completed on 29 December 2023. The target company is principally engaged in health management services in the PRC.

Recognised amounts of identifiable assets acquired and liabilities assumed at 29 December 2023, the date of acquisition, were as follows:

| | RMB'000 |
|---|---|
| Property, plant and equipment (note 17) | 14,152 |
| Right-of-use assets (note 22) | 22,086 |
| Intangible assets (note 24) | 10,639 |
| Inventories | 13,419 |
| Trade and other receivables | 53,029 |
| Cash and cash equivalents | 1,572 |
| Financial assets at fair value through other comprehensive income (note 23(b)(iii)) | – |
| Trade and other payables | (57,000) |
| Loans and bank borrowings | (33,000) |
| Loans from an associate (note 49(b)) | (26,100) |
| Contract liabilities (note 30) | (140) |
| Lease liabilities (note 37) | (21,287) |
| Total identifiable net liabilities | (22,630) |
| Non-controlling interests (note 43) | 6,913 |
| Off-set the amounts due from Beijing Eagle Eye group to the Group (including in trade and other payable above) | 17,698 |
| Goodwill | 4,019 |
| Total cash consideration | 6,000 |

## 45. ACQUISITION OF SUBSIDIARIES *(continued)*

Cashflow movement in relation to acquisition during the year ended 31 December 2023:

| | RMB'000 |
|---|---|
| Cash consideration paid | (6,000) |
| Cash at bank acquired | 1,572 |
| Net cash outflow on acquisition | (4,428) |

The acquired business did not generate revenue and or any net loss after income tax for the period from 29 December 2023 to 31 December 2023. If the acquisition had occurred on 1 January 2023, revenue of the Group for the year would have increased by RMB8,350,000 and loss after income tax of the Group for the year would have increased by RMB134,086,000.

Upon acquisition, the Directors reviewed the current economic outlooks in the PRC and considered the future profit stream is uncertain. Accordingly, the goodwill arising from the acquisition of RMB4,019,000 was fully impaired and recognised in the consolidated statement of profit or loss.

## 46. LITIGATION

A claim was made by 江蘇超先電力有限公司 (Jiangsu Chaoxian Power Limited*) and 江蘇科昱新能源科技有限公司 (Jiangsu Keyu New Energy Technology Limited*) (the "Plaintiff") against four wholly-owned subsidiaries of the Group (the "Defendant") in respect of disputes over contract for construction, entered into on 25 November 2015, for the overdue construction cost and its related interest amounting to RMB75,836,000.

Given that the Group has recognised sufficient trade and other payables to the Plaintiff as at 31 December 2022, the management is in the view that there was no contingent liabilities related to this litigation. During the year of 2023, the above related litigation was settled and the Plaintiff were liable to pay RMB8,944,000 to the Group after off-setting with the relevant payables.

## 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. Therefore, these subsidiaries may be subject to fines or other adverse consequences imposed by the relevant PRC government authorities in the future. The relevant PRC government authorities are currently conducting nationwide inspections on matters such as compliance of equity transfer of solar power plants and full grid-connected power generation time. The Group will actively cooperate with the relevant PRC government authorities in inspections if necessary and assess the impact of the inspection results on the development of the Group's solar power plants in a timely manner.

## 48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Loans and other borrowings (note 31) RMB'000 | Interest payables for loans and other borrowings within "Other payables" RMB'000 | Corporate bonds (note 32) RMB'000 | Lease liabilities (note 37) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2022 | 3,587,727 | 221,396 | 81,204 | 145,238 | 4,035,565 |
| Changes from cash flows: | | | | | |
| Proceeds from new loans and borrowings | 40,000 | – | – | – | 40,000 |
| Repayments of loans and borrowings | (1,276,760) | – | – | – | (1,276,760) |
| Repayments of corporate bonds | – | – | (71,289) | – | (71,289) |
| Repayments of lease liabilities | – | – | – | (17,744) | (17,744) |
| Interest paid | – | (192,148) | (918) | – | (193,066) |
| Total changes from financing cash flows | (1,236,760) | (192,148) | (72,207) | (17,744) | (1,518,859) |
| Exchange adjustments | – | – | 4,710 | 150 | 4,860 |
| Non-cash changes: | | | | | |
| Disposals of subsidiaries | (356,548) | (22,519) | – | (1,835) | (380,902) |
| Proceeds from new loans and borrowings | 40,000 | – | – | – | 40,000 |
| Modification on lease | – | – | – | (1,221) | (1,221) |
| Accrued interest expenses | – | 178,597 | – | 5,395 | 183,992 |
| Imputed interest expenses | – | – | 2,089 | – | 2,089 |
| Total non-cash changes | (316,548) | 156,078 | 2,089 | 2,339 | (156,042) |
| At 31 December 2022 | 2,034,419 | 185,326 | 15,796 | 129,983 | 2,365,524 |

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

| | Loans and other borrowings (note 31) RMB'000 | Interest payables for loans and other borrowings within "Other payables" RMB'000 | Corporate bonds (note 32) RMB'000 | Lease liabilities (note 37) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2023 | **2,034,419** | **185,326** | **15,796** | **129,983** | **2,365,524** |
| Changes from cash flows: | | | | | |
| Proceeds from new loans and borrowings | **1,047,170** | – | – | – | **1,047,170** |
| Repayments of loans and borrowings | **(889,812)** | – | – | – | **(889,812)** |
| Repayments of lease liabilities | – | – | – | **(16,191)** | **(16,191)** |
| Interest paid | – | **(102,880)** | **(405)** | – | **(103,285)** |
| Total changes from financing cash flows | **157,358** | **(102,880)** | **(405)** | **(16,191)** | **37,882** |
| Exchange adjustments | – | – | **230** | **4** | **234** |
| Non-cash changes: | | | | | |
| Disposals of subsidiaries (note 44(a)) | **(359,205)** | **(1,541)** | – | **(7,478)** | **(368,224)** |
| Transferred to liabilities of disposal group held for sales (note 28) | **(206,356)** | **(1,849)** | – | **(6,102)** | **(214,307)** |
| Addition through acquisition of subsidiaries (note 45) | **33,000** | **5,738** | – | **21,287** | **60,025** |
| New leases | – | – | – | **20,376** | **20,376** |
| Modification on lease | – | – | – | **(2,344)** | **(2,344)** |
| Accrued interest expenses | – | **155,769** | – | **7,764** | **163,533** |
| Imputed interest expenses | – | – | **707** | – | **707** |
| Total non-cash changes | **(532,561)** | **158,117** | **707** | **33,503** | **(340,234)** |
| At 31 December 2023 | **1,659,216** | **240,563** | **16,328** | **147,299** | **2,063,406** |

## 49. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the year, the Group entered into the following transactions with related parties:

### (a) Loans to an associate

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Loans to an associate, net | | |
| Non-current | **124,892** | 119,576 |
| Current | **606** | 1,824 |
| | **125,498** | 121,400 |

The Group entered into the loan agreement with an associate, Kong Sun Baoyuan, date on 11 January 2023 and 11 November 2022 for a period of 3 years. The loan is unsecured and interest bearing at 9.0% per annum. The loan interest income was RMB10,684,000 during the year (2022: RMB1,830,000).

Further details on the Group's credit policy and credit risk analysis arising from loans to an associate are set out in Note 51.1(a)(vi).

### (b) Loans from an associate

Beijing Eagle Eye group had loan agreement with a wholly-owned subsidiary of Kong Sun Baoyuan, which was reclassified as an associate after the acquisition (note 45). The loan agreement was entered into on 23 September 2023 for a period of one year, with total principal amount of RMB26,100,000. The loans are secured by certain trade receivables of the Group with interest rate at 6% per annum.

### (c) Remuneration for key management personnel

The remuneration for key management personnel, including Directors and the five highest paid individuals are disclosed in notes 11 and 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 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 carry out business 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 customers in the same segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases in the same segment.

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

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

**(a) Credit risk** *(continued)*

The Group has the following types of assets that are subject to the expected credit loss model:

- Trade and tariff adjustment receivables arising from sales of electricity
- Loan receivables arising from provision of financial services
- Trade receivables arising from provision of solar power plant operation and maintenance services
- Trade receivables arising from provision of health management services
- Other receivables
- Loans to an associate
- Cash and cash equivalents

(i) Trade and tariff adjustment receivables arising from sales of electricity

The trade and tariff adjustment receivables of the Group were arising from sales of electricity and were all due from state-grid companies. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. As at 31 December 2023, all of the Group's solar power plants that are entitled to tariff adjustment receivables were successfully registered in the Renewable Energy Tariff Subsidy Catalogue ("RETSC") (2022: 1 solar power plant with aggregate capacity of 48 MW was subject to the registration).

According to Caijian [2023] No. 118. Notice on the Local Budget for Additional Subsidies for renewable energy electricity prices in 2023（2023年可再生能源電價附加補助地方資金預算的通知）("New Tariff Notice") issued by the Ministry of Finance, the application status of the Group's unit, the subsidy funds for renewable energy price surcharges for 2023 are now allocated. The payment method for funds shall be implemented in accordance with the relevant provisions of the financial treasury management system. The Central government are responsible for collecting and allocating the fund to State-grid Companies. Upon receipt, State-grid Companies must promptly apply the allocated funding to settle the outstanding balance due to solar power plants and cannot use the fund for other purpose. Therefore, the State-grid Companies must have the ability and are required by the Government Notices to pay the consideration eventually. The project code and name are Measures for Administration of Funds for Tariff Premium of Renewable Energy（可再生能源電價附加補助地方資金）, and the expenditure is listed under the government revenue and expenditure classification subject of 2023.

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

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

**(a) Credit risk** *(continued)*

(i) Trade and tariff adjustment receivables arising from sales of electricity *(continued)*

Given the track record of regular settlement of tariff adjustment receivables and the collection of tariff adjustment receivables are well supported by the government policies. The PRC government is responsible to collect and allocate the fund and make settlement through state-owned grid companies to the solar power companies. The Directors are of the opinion that, all trade receivables from sales of electricity, including the tariff adjustment receivables, are exposed to minimal credit risk and do not expect any losses from non-performance by the customers. Therefore, no provision was made in respect of trade and tariff adjustment receivables as at 31 December 2023 (2022: Nil).

(ii) Loan receivables arising from provision of financial services

In respect of the Group's lending business, the Group adopts a loan classification approach to manage its loan portfolio risk. The Group's loans are categorised as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The core definitions of the five categories of loan receivables are set out below:

| Internal credit rating | Overdue days | Description | Basis for recognising ECL |
|---|---|---|---|
| Normal | 0 –30 days | Borrowers has a low risk of default. There is no reason to doubt their ability to repay the principal and interest. | 12 month ECL (stage 1) |
| Special-mention | 31 – 90 days | Borrowers are still able to service their loans and interest, although repayment may be adversely affected by specific factors. | Lifetime ECL – not credit-impaired (stage 2) |
| Substandard | 91 – 180 days | Borrower's ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay the principal and interest. Losses may ensue even when collateral or guarantees are invoked. | Lifetime ECL – credit-impaired (stage 3) |

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

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

**(a) Credit risk** *(continued)*

(ii) Loan receivables arising from provision of financial services *(continued)*

| Internal credit rating | Overdue days | Description | Basis for recognising ECL |
|---|---|---|---|
| Doubtful | More than 181 days | Borrowers cannot repay the principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked. | Lifetime ECL – credit-impaired (stage 3) |
| Loss | N/A | Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures. | Written off (stage 3) |

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system ("Five-Tier Principle") and year-end stage classification.

| | **As at 31 December 2023** | | | |
|---|---|---|---|---|
| **Internal rating grades** | **Stage 1 RMB'000** | **Stage 2 RMB'000** | **Stage 3 RMB'000** | **Total RMB'000** |
| Normal | **550,664** | **–** | **–** | **550,664** |
| Special-mention | **–** | **40,380** | **–** | **40,380** |
| Substandard | **–** | **–** | **230** | **230** |
| Doubtful | **–** | **–** | **75,988** | **75,988** |
| Loss | **–** | **–** | **14,347** | **14,347** |
| Total | **550,664** | **40,380** | **90,565** | **681,609** |

| | As at 31 December 2022 | | | |
|---|---|---|---|---|
| Internal rating grades | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Total RMB'000 |
| Normal | 364,728 | – | – | 364,728 |
| Special-mention | – | 184 | – | 184 |
| Substandard | – | – | 315 | 315 |
| Doubtful | – | – | 39,939 | 39,939 |
| Loss | – | – | 3,150 | 3,150 |
| Total | 364,728 | 184 | 43,404 | 408,316 |

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

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

**(a) Credit risk** *(continued)*

(ii) Loan receivables arising from provision of financial services *(continued)*

An analysis of changes in the outstanding exposures is as follows:

| | **For the year ended 31 December 2023** | | | |
|---|---|---|---|---|
| | **Stage 1 (12-month ECLs) Collectively assessed** | **Stage 2 (Lifetime ECLs) Collectively assessed** | **Stage 3 (Lifetime ECLs) Collectively assessed** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| As at 1 January 2023 | **364,728** | **184** | **43,404** | **408,316** |
| Addition | **427,116** | **–** | **–** | **427,116** |
| Repayment | **(150,650)** | **(184)** | **(2,989)** | **(153,823)** |
| Transfer to Stage 2 | **(40,380)** | **40,380** | **–** | **–** |
| Transfer to Stage 3 | **(50,150)** | **–** | **50,150** | **–** |
| As at 31 December 2023 | **550,664** | **40,380** | **90,565** | **681,609** |

| | For the year ended 31 December 2022 | | | |
|---|---|---|---|---|
| | Stage 1 (12-month ECLs) Collectively assessed | Stage 2 (Lifetime ECLs) Collectively assessed | Stage 3 (Lifetime ECLs) Collectively assessed | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2022 | 185,115 | 150 | 43,841 | 229,106 |
| Addition | 316,156 | – | – | 316,156 |
| Repayment | (130,519) | – | (6,427) | (136,946) |
| Transfer to Stage 2 | (184) | 184 | – | – |
| Transfer to Stage 3 | (5,840) | (150) | 5,990 | – |
| As at 31 December 2022 | 364,728 | 184 | 43,404 | 408,316 |

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

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

**(a) Credit risk** *(continued)*

(ii) Loan receivables arising from provision of financial services *(continued)*

An analysis of movement of the corresponding ECLs is as follows:

| | **For the year ended 31 December 2023** | | | |
|---|---|---|---|---|
| | **Stage 1 (12-month ECLs) Collectively assessed** | **Stage 2 (Lifetime ECLs) Collectively assessed** | **Stage 3 (Lifetime ECLs) Collectively assessed** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| As at 1 January 2023 | **7,294** | **6** | **23,600** | **30,900** |
| Charge | **19,515** | **–** | **10,817** | **30,332** |
| Reversal | **(2,993)** | **(6)** | **(1,428)** | **(4,427)** |
| Transfer to Stage 2 | **(818)** | **818** | **–** | **–** |
| Transfer to Stage 3 | **(789)** | **–** | **789** | **–** |
| Written off | **–** | **–** | **(10,817)** | **(10,817)** |
| Net re-measurement of ECLs arising from transfer of stages | **–** | **394** | **19,002** | **19,396** |
| As at 31 December 2023 | **22,209** | **1,212** | **41,963** | **65,384** |

| | For the year ended 31 December 2022 | | | |
|---|---|---|---|---|
| | Stage 1 (12-month ECLs) Collectively assessed | Stage 2 (Lifetime ECLs) Collectively assessed | Stage 3 (Lifetime ECLs) Collectively assessed | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2022 | 3,643 | 5 | 20,631 | 24,279 |
| Charge | 6,323 | – | 7,986 | 14,309 |
| Reversal | (2,437) | – | (3,347) | (5,784) |
| Transfer to Stage 2 | (8) | 8 | – | – |
| Transfer to Stage 3 | (227) | (4) | 231 | – |
| Written off | – | – | (6,366) | (6,366) |
| Net re-measurement of ECLs arising from transfer of stages | – | (3) | 4,465 | 4,462 |
| As at 31 December 2022 | 7,294 | 6 | 23,600 | 30,900 |

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

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

**(a) Credit risk** *(continued)*

(iii) Trade receivables arising from provision of solar power plant operation and maintenance services

| **As at 31 December 2023** | **Expected loss rate (%)** | **Gross carrying amount RMB'000** | **Loss allowance RMB'000** |
|---|---|---|---|
| Neither past due nor impaired | **0%** | **37,414** | **–** |
| More than 1 month but less than 1 year | **5%** | **18,912** | **946** |
| More than 1 year but less than 2 years | **15%** | **2,286** | **343** |
| | | **58,612** | **1,289** |

| As at 31 December 2022 | Expected loss rate (%) | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
|---|---|---|---|
| Neither past due nor impaired | 0% | 39,706 | – |
| More than 1 month but less than 1 year | 5% | 11,295 | 565 |
| More than 1 year but less than 2 years | 15% | 1,503 | 226 |
| More than 3 years past due | 100% | 1,000 | 1,000 |
| | | 53,504 | 1,791 |

(iv) Trade receivables arising from provision of health management services

| **As at 31 December 2023** | **Expected loss rate (%)** | **Gross carrying amount RMB'000** | **Loss allowance RMB'000** |
|---|---|---|---|
| Neither past due nor impaired | **0%** | **9,182** | **–** |
| More than 1 month but less than 1 year | **5%** | **4,615** | **231** |
| More than 1 year but less than 2 years | **15%** | **3,697** | **555** |
| More than 2 years past due | **50%** | **499** | **250** |
| | | **17,993** | **1,036** |

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

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

**(a) Credit risk** *(continued)*

(v) Other receivables

Impairment loss of other receivables are measured as either 12-month ECLs or lifetime ECLs 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 impairment loss is measured as lifetime ECLs.

With respect to the consideration receivables in respect of disposal of subsidiaries and amounts due from disposed subsidiaries, the management performs impairment assessment on the balances on a periodic basis. In assessing the probability of defaults, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. Since the counterparties are mainly engaged in solar power industry in which their major current assets are tariff adjustment receivables, the collection of which is well supported by government policies; accordingly, the management considered the credit risk is limited. For the purpose of impairment assessment of disposal consideration receivables and amounts due from disposed subsidiaries, the loss allowance is measured at an amount equals to 12-month ECLs. In determining their ECLs, after taking into account of the aforesaid factors, and forward-looking information that is available without undue cost or effort, the Group has aggregated net carrying amount of approximately RMB572,962,000 as at 31 December 2023 (2022: RMB391,919,000) after recognised a net impairment loss of approximately RMB118,809,000 (2022: RMB112,958,000) in the consolidated statement of profit or loss for the year ended 31 December 2023.

Certain long-aged balances due from independent third parties with an aggregated gross carrying amount of approximately RMB233,755,000 as at 31 December 2023 (2022: RMB402,908,000) are assessed individually. In assessing the probability of defaults, the management has taken into account the financial position of the counterparties, the industries they operate, the estimated fair value of the pledged assets, their latest operating result where available as well as forward looking information that is available without undue cost or effort. For the purpose of impairment assessment of these long-aged balances, the loss allowance is measured at an amount equals to lifetime ECLs. In determining the lifetime ECLs of these long-aged balances, after taking into account of the aforesaid factors, and forward looking information that is available without undue cost or effort, the Group has aggregated net carrying amount of approximately RMB78,173,000 as at 31 December 2023 (2022: RMB239,992,000) after recognised a net reversal of impairment loss of approximately RMB7,332,000 (2022: net impairment loss of approximately RMB8,303,000) in the consolidated statement of profit or loss for the year ended 31 December 2023.

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

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

**(a) Credit risk** *(continued)*

(vi) Loans to an associate

In respect of loans to an associate, the Group has applied the general approach prescribed by HKFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for loans to an associate. ECL is estimated based on historical credit loss experience, adjusted for factors that are specific to the associate and general economic conditions.

As at the end of each of reporting period, loans to an associate are measured at an amount equal to 12-month ECLs. The following table provides information about the Group's exposure to credit risk and ECLs for loans to an associate:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| **Gross carrying amount of loans to an associate** | | |
| – Non-current | **126,000** | 120,000 |
| – Current | **612** | 1,830 |
| | **126,612** | 121,830 |
| **Provision for impairment of loans to an associate** | | |
| – Non-current | **(1,108)** | (424) |
| – Current | **(6)** | (6) |
| | **(1,114)** | (430) |

(vii) Cash and cash equivalents

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 2023 and 2022, 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 total borrowings 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 31 and 32, respectively.

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Effective interest rate %** | **RMB'000** | Effective interest rate % | RMB'000 |
| **Fixed-rate borrowings:** | | | | |
| Loans and borrowings | **6.00%-8.56%** | **1,172,530** | 7.30%-10.25% | 1,567,241 |
| Corporate bonds | **10.4%** | **16,328** | 10.40% | 15,796 |
| | | **1,188,858** | | 1,583,037 |
| **Floating rate borrowings:** | | | | |
| Loans and borrowings | **3.45%-8.48%** | **486,686** | 4.90%-10.00% | 467,178 |
| Total borrowings | | **1,675,544** | | 2,050,215 |
| Fixed-rate borrowings as a percentage of total borrowings | | **70.95%** | | 77.21% |

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

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

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

**(b) Interest rate risk** *(continued)*

Interest rate sensitivity analysis

The sensitivity analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. As at 31 December 2023, if the interest rate of loans and borrowings had been 50 (2022: 50) basis points higher/lower, the Group's loss (2022: loss) before income tax would increase/decrease (2022: increase/decrease) by approximately RMB2,433,000 (2022: RMB2,336,000).

**(c) Currency risk**

The Group's main operations are in PRC. Revenue and costs of PRC operations are mainly denominated in Renminbi ("RMB") which is also the presentation currency of the Group. The Group's operations in PRC through its subsidiaries are settled in the local currencies of the country.

The Group's foreign exchange exposure is mainly on its cash held in Hong Kong dollars ("HK$") which is not significant in amount. The management was of the view that the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

The Group did not have any financial instruments to hedge its foreign currency exposure. The management will, however, continue to monitor the foreign exchange exposure of the Group and will take appropriate measure to minimise the risk.

**(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 1 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 2023** | | | | | | |
| Trade and other payables | **656,765** | **656,765** | **656,765** | **–** | **–** | **–** |
| Corporate bonds | **16,328** | **18,497** | **9,525** | **408** | **8,564** | **–** |
| Lease liabilities | **147,299** | **191,490** | **30,169** | **30,286** | **69,595** | **61,440** |
| Loans from an associate | **26,100** | **27,666** | **27,666** | **–** | **–** | **–** |
| Loans and borrowings | | | | | | |
| – Floating rates | **486,686** | **649,214** | **81,844** | **72,068** | **185,272** | **310,030** |
| – Fixed rates | **1,172,530** | **1,264,831** | **1,049,168** | **52,259** | **163,404** | **–** |
| | **2,505,708** | **2,808,463** | **1,855,137** | **155,021** | **426,835** | **371,470** |
| **As at 31 December 2022** | | | | | | |
| Trade and other payables | 382,839 | 382,839 | 376,989 | 5,850 | – | – |
| Corporate bonds | 15,796 | 18,231 | 9,388 | 402 | 8,441 | – |
| Lease liabilities | 129,983 | 188,149 | 20,299 | 14,550 | 57,692 | 95,608 |
| Loans and borrowings | | | | | | |
| – Floating rates | 467,178 | 602,239 | 174,948 | 121,103 | 251,995 | 54,193 |
| – Fixed rates | 1,567,241 | 1,690,362 | 297,695 | 1,392,667 | – | – |
| | 2,563,037 | 2,881,820 | 879,319 | 1,534,572 | 318,128 | 149,801 |

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.

## 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 2023 and 2022 are categorised as follows. See notes 4.10(i) and 4.10(iv) for explanations about how the categorisation of financial instruments affects their subsequent measurements.

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets measured at fair value through other comprehensive income | **595,942** | 760,194 |
| At amortised cost: | | |
| – Trade, bills and other receivables | **1,824,843** | 2,127,471 |
| – Loans to an associate | **125,498** | 121,400 |
| Cash and cash equivalents | **254,778** | 301,979 |
| | **2,801,061** | 3,311,044 |
| **Financial liabilities** | | |
| At amortised cost: | | |
| Trade and other payables | **656,765** | 382,839 |
| Loans and other borrowings | **1,659,216** | 2,034,419 |
| Corporate bonds | **16,328** | 15,796 |
| Lease liabilities | **147,299** | 129,983 |
| Loans from an associate | **26,100** | – |
| | **2,505,708** | 2,563,037 |

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**<br>RMB'000 | **Level 2**<br>RMB'000 | **Level 3**<br>RMB'000 | **Total**<br>RMB'000 |
|---|---|---|---|---|
| **As at 31 December 2023** | | | | |
| **Financial assets measured at fair value** | | | | |
| Financial assets measured at fair value through other comprehensive income | – | – | 595,942 | 595,942 |
| **As at 31 December 2022** | | | | |
| **Financial assets measured at fair value** | | | | |
| Financial assets measured at fair value through other comprehensive income | – | – | 760,194 | 760,194 |

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

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

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 application of the market approach technique known as guideline publicly-traded comparable method which utilises the price-to-book ratios of similar and comparable commercial banks publicly traded in the PRC and/or Hong Kong to arrive at an indication of value, then adjusted for the lack of marketability discount as at 31 December 2023.

The valuations are determined based on the following significant unobservable inputs:

| Financial instruments | Valuation technique | Significant unobservable inputs | Sensitivity of fair value to the input |
|---|---|---|---|
| Unlisted partnership investments in Taizhou Jiuan Limited Partnership | Asset approach combined with discount cash flow method | Discount rate of 8% (2022: 7.6%) | Had the discount rate increased/(decreased) by 1%, the fair value would have (decreased)/increased by approximately RMB607,000 (2022: RMB3,531,000). |
| Unlisted partnership investments in Huoerguosi Limited Partnership | Asset approach | N/A | N/A |
| Unlisted equity investments in Hohhot Jingu Bank | Market approach | Discount for lack of Marketability of 20.5% (2022: 20.6%) | Had the discount rate increased/(decreased) by 5%, the fair value would have (decreased)/increased by approximately RMB10,267,000 (2022: RMB11,405,000). |
| Unlisted equity investments in Jinzhou Bank | Market approach | Discount for lack of Marketability of 20.5% (2022: 20.6%) | Had the discount rate increased/(decreased) by 5%, the fair value would have (decreased)/increased by approximately RMB8,147,000 (2022: RMB17,420,000). |
| Unlisted equity investments in 北京京西南樓醫療技術服務有限公司 | Market approach | Discount for lack of Marketability of 20.5% (2022: N/A) | Had the discount rate increased/(decreased) by 5%, the fair value would have (decreased)/increased by approximately RMB Nil (2022: N/A). |

## 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 |
|---|---|
| **Financial assets measured at fair value through other comprehensive income** | |
| At 1 January 2022 | 1,186,361 |
| Addition during the year | 18 |
| Disposal during the year | (402,500) |
| Fair value changes recognised in other comprehensive income during the year | (23,685) |
| At 31 December 2022 and 1 January 2023 | **760,194** |
| Fair value changes recognised in other comprehensive income during the year | **(164,252)** |
| At 31 December 2023 | **595,942** |

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 2023.

## 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 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 2023, the Group's debt to asset ratio, being the Group's total liabilities over its total assets was 49% (2022: 43%).

## 53. SUBSEQUENT EVENT

On 29 January 2024, the Group entered into sale and purchase agreement with an independent third party to dispose of 60% equity interest of 陝西億潤新能源科技有限公司 (Shaanxi Yirun New Energy Technology Co., Ltd.*) ("Shaanxi Yirun"), for a total consideration of approximately RMB4,200,000. The expected loss of the disposal is approximately RMB5,500,000. As at the date of this report, the aforesaid disposal has not been completed, and Shaanxi Yirun remains as a wholly-owned subsidiary of the Company.

On 6 March 2024, the Board resolved, subject to obtaining the approval of the shareholders, to accept the domestic share offer in respect of all the 107,500,000 domestic shares in Bank of Jinzhou Co., Ltd* held by the Group at the offer price of RMB1.25 per share, and the total consideration receivable by the Group will be RMB134,375,000.

## 54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2023 were approved and authorised for issue by the Directors on 28 March 2024.

# FIVE-YEAR FINANCIAL SUMMARY

The financial information relating to the year ended 31 December 2023 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 Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2023 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 | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| REVENUE | **474,793** | 555,727 | 992,756 | 1,478,209 | 2,079,704 |
| LOSS FOR THE YEAR | **328,649** | (290,319) | (935,339) | (625,734) | (698,721) |

## FINANCIAL POSITION

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| TOTAL ASSETS | **5,722,505** | 6,003,714 | 8,234,870 | 14,303,318 | 18,672,085 |
| TOTAL LIABILITIES | **(2,792,467)** | 2,569,598 | 4,473,352 | (9,600,510) | (13,178,786) |
| TOTAL EQUITY | **2,930,038** | 3,434,116 | 3,761,518 | 4,702,808 | 5,493,299 |