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江山控股
KongSun Holdings

KONG SUN HOLDINGS LIMITED
江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Kong Sun Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the corresponding year in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018
(Expressed in Renminbi unless otherwise stated)

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**1,881,004**	1,278,704
Cost of sales		**(760,392)**	(457,031)
Gross profit		**1,120,612**	821,673
Other gains and losses	4	**41,413**	920
Administrative expenses		**(412,178)**	(325,549)
Gain on bargain purchase on acquisition of subsidiaries	22	**2,504**	53,260
Gain on disposal/deregistration of subsidiaries, net	23	**2,693**	12,031
Gain on disposal of an associate	12	**5,661**	–
Finance costs	5	**(745,545)**	(463,548)
Share of profit of a joint venture	11	**10,501**	26,019
Share of (loss)/profit of associates	12	**(837)**	35

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Profit before income tax	*6*	**24,824**	124,841
Income tax expense	*7*	**(8,547)**	(4,788)
Profit for the year		**16,277**	120,053
Profit for the year attributable to:			
Owners of the Company		**15,415**	119,020
Non-controlling interests		**862**	1,033
		16,277	120,053
Earnings per share attributable to owners of the Company for the year	*8*		
— Basic *(RMB cents)*		**0.10**	0.80
— Diluted *(RMB cents)*		**0.10**	0.79

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Profit for the year		**16,277**	120,053
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
— Fair value changes in financial assets measured at fair value through other comprehensive income	*13*	**(71,452)**	–
— Fair value changes in available-for-sale investments	*13*	**–**	(20,712)
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of foreign operations		**(1,732)**	3,263
— Release of exchange reserve upon disposal of subsidiaries	*23*	**(19)**	(231)
Other comprehensive income for the year, net of tax		**(73,203)**	(17,680)
Total comprehensive income for the year		**(56,926)**	102,373
Total comprehensive income attributable to:			
Owners of the Company		**(57,788)**	101,340
Non-controlling interests		**862**	1,033
		(56,926)	102,373

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		At 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**33,034**	37,574
Solar power plants	*10*	**12,594,456**	13,206,485
Interest in a joint venture	*11*	**331,922**	321,421
Interests in associates	*12*	**13,290**	17,035
Investment properties		**–**	920
Goodwill		**149,197**	148,451
Lease prepayments		**245,928**	257,238
Financial assets measured at fair value through other comprehensive income	*13*	**2,047,434**	–
Available-for-sale investments	*13*	**–**	1,576,206
Deferred tax assets		**2,360**	–
		15,417,621	15,565,330
Current assets			
Financial assets measured at fair value through profit or loss	*14*	**81,143**	–
Financial assets held for trading	*14*	**–**	200,281
Inventories		**3,058**	1,111
Trade, bills and other receivables	*15*	**4,646,076**	3,797,732
Structured bank deposits	*16*	**9,230**	–
Cash and cash equivalents	*17*	**256,310**	445,638
		4,995,817	4,444,762
Assets of a disposal group classified as held for sale		**6,678**	–
Total current assets		**5,002,495**	4,444,762

	Notes	At 31 December 2018 RMB'000	2017 RMB'000
Current liabilities			
Trade and other payables	*18*	**1,903,547**	3,733,808
Contract liabilities		**8,038**	–
Loans and borrowings	*19*	**890,610**	595,471
Obligations under finance leases		**–**	117
Corporate bonds	*20*	**55,870**	343,697
Tax payable		**5,221**	1,970
		2,863,286	4,675,063
Liabilities of a disposal group classified as held for sale		**6,864**	–
Total current liabilities		**2,870,150**	4,675,063
Net current assets/(liabilities)		**2,132,345**	(230,301)
Total assets less current liabilities		**17,549,966**	15,335,029
Non-current liabilities			
Loans and borrowings	*19*	**10,726,625**	8,744,467
Obligations under finance leases		**–**	103
Corporate bonds	*20*	**219,513**	42,781
Deferred tax liabilities		**–**	1,187
		10,946,138	8,788,538
NET ASSETS		**6,603,828**	6,546,491
CAPITAL AND RESERVES			
Share capital	*21*	**6,486,588**	6,486,588
Reserves		**34,670**	21,183
Equity attributable to owners of the Company		**6,521,258**	6,507,771
Non-controlling interests		**82,570**	38,720
TOTAL EQUITY		**6,603,828**	6,546,491

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the Companies Ordinance (Cap. 622) of the Laws of Hong Kong (the "**Hong Kong Companies Ordinance**"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of the 2018 annual results do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on those financial statements of the Group for both years. For the year ended 31 December 2018, the auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention except for certain investment properties, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss which are stated at fair values.

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

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

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

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

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

In the current year, the Group have applied for the first time the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

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

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

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

(i) Classification and measurement of financial instruments

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

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

	Increase/ (Decrease) *RMB'000*
Accumulated losses	
As at 31 December 2017 (originally stated)	(90,051)
Increase in expected credit losses ("**ECLs**") in trade, bills and receivables *(note 2.1A(ii))*	(19,115)
As at 1 January 2018 (restated)	(109,166)
Available-for-sale financial assets reserve	
As at 31 December 2017 (originally stated)	(20,712)
Reclassification of investments from available-for-sale financial assets at fair value to financial assets at fair value through other comprehensive income ("FVOCI") *(note 2.1A(i)(I))*	20,712
As at 1 January 2018 (restated)	–
FVOCI reserve	
As at 31 December 2017 (originally stated)	–
Reclassification of investments from available-for-sale financial assets at fair value to FVOCI *(note 2.1A(i)(I))*	(20,712)
Reclassification of investments from available-for-sale financial assets at cost to FVOCI *(note 2.1A(i)(II))*	55,716
As at 1 January 2018 (restated)	35,004

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("**FVTPL**"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

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

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

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

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

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

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

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

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

(ii) Impairment of financial assets

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

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

Measurement of ECLs

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

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

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

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

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

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

Presentation of ECLs

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

Impact of the ECL model

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

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

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

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

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

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

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

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

(e) Impairment of other receivables

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

(iii) Transition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HKFRS 16 — Leases

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

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

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

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

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

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

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

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

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

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

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

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

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

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

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

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

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

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

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

HKFRS 3 (Amendments) — Definition of a Business

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

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

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. REVENUE

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

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

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

4. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Interest income	**9,555**	29,591
Dividend income	**23,492**	2,260
Net realised loss on disposal of financial assets measured at fair value through profit or loss *(note 14)*	**(53,613)**	–
Net unrealised gain on fair value changes on financial assets measured at fair value through profit or loss	**5,864**	–
Loss on fair value changes on financial assets held for trading, net	**–**	(31,619)
Net foreign exchange gain	**2,248**	10,807
Written off of solar power plant *(note 10)*	**(16,103)**	–
Written off/Loss on disposal of property, plant and equipment	**(471)**	(2,796)
Reversal/(Recognition) of impairment loss in respect of trade and other receivables, net	**963**	(12,385)
Write back of other payables	**9,421**	–
Government allowance	**3,991**	–
Service fee income	**11,127**	–
Compensation income	**5,426**	–
Office sublease income	**33,782**	–
Others	**5,731**	5,062
	41,413	920

5. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on loans and borrowings	**732,198**	537,767
Imputed interest on corporate bonds *(note 20)*	**37,318**	37,710
Finance charges on obligations under finance leases	**5**	19
Total interest expense on financial liabilities not at fair value through profit or loss	**769,521**	575,496
Less: interest expense capitalised into solar power plants under construction# *(note 10)*	**(23,976)**	(111,948)
	745,545	463,548

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

6. PROFIT BEFORE INCOME TAX

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

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

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

(b) Other items

	2018	2017
	RMB'000	*RMB'000*
Auditor's remuneration		
— Audit services	**4,221**	4,100
— Non-audit services	**500**	650
Amortisation of lease prepayments	**26,573**	15,750
Cost of inventories	**119,040**	2,307
Depreciation		
— Property, plant and equipment	**8,788**	8,327
— Solar power plants *(note 10)*	**492,452**	356,501
Operating lease charges	**52,351**	29,460

7. INCOME TAX EXPENSE

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

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

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017.

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

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

According to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC or earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. According to the China–HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" of the dividends received and directly holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%. Deferred withholding tax payable relating to the temporary differences arising from the undistributed profits of the Group's PRC subsidiaries has not been recognised as the Company controls the dividend policy of the Group's PRC subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

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

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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

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

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

9. DIVIDEND

No dividend was paid or proposed during the year 31 December 2018 nor has any dividend been proposed since the end of the reporting period up to the date of this announcement (2017: Nil).

10. SOLAR POWER PLANTS

	Solar power plants *RMB'000*	Solar power plants under construction *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2017	7,180,727	2,398,993	9,579,720
Acquisition of subsidiaries	1,878,844	192,246	2,071,090
Additions	6,973	2,129,845	2,136,818
Interest expense capitalised in solar power plants under construction *(note 5)*	–	111,948	111,948
Reclassification upon completion	3,225,108	(3,225,108)	–
Disposal of a subsidiary	–	(35,844)	(35,844)
At 31 December 2017 and 1 January 2018	12,291,652	1,572,080	13,863,732
Additions	8,012	214,731	222,743
Interest expense capitalised in solar power plants under construction *(note 5)*	–	23,976	23,976
Reclassification upon completion	1,296,731	(1,296,731)	–
Disposal of a subsidiary *(note 23)*	(314,354)	(64,155)	(378,509)
Write off *(note 4)*	–	(16,103)	(16,103)
At 31 December 2018	13,282,041	433,798	13,715,839
Accumulated depreciation			
At 1 January 2017	300,746	–	300,746
Charged for the year *(note 6)*	356,501	–	356,501
At 31 December 2017 and 1 January 2018	657,247	–	657,247
Charged for the year *(note 6)*	492,452	–	492,452
Disposal of a subsidiary *(note 23)*	(28,316)	–	(28,316)
At 31 December 2018	1,121,383	–	1,121,383
Net carrying amount			
At 31 December 2017	11,634,405	1,572,080	13,206,485
At 31 December 2018	12,160,658	433,798	12,594,456

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

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

As at 31 December 2018, certain solar plants with carrying amount of approximately RMB8,027,467,000 (2017: RMB7,455,097,000) were pledged as securities for the Group's loans and borrowings (note 19).

11. INTEREST IN A JOINT VENTURE

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

As at 31 December 2018 and 2017, particulars of the joint venture were as follows:

Name of joint venture	Form of business structure	Country of incorporation and principal place of operation	Percentage of ownership interest/ voting rights	Principal activities
江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*) ("**Kong Sun Baoyuan**")	Incorporated	PRC	55% (2017: 55%) *(note 24(i))*	Finance leases and factoring businesses

Kong Sun Baoyuan was incorporated in the PRC and is primarily engaged in the finance leases and factoring businesses in the PRC. The joint venture arrangement provides the Group with only the rights to the net assets of Kong Sun Baoyuan, with the rights to the assets and obligations for liabilities of the joint arrangement resting primarily with Kong Sun Baoyuan. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been accounted for in the consolidated financial statements using equity method for the years ended 31 December 2018 and 2017 respectively.

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

12. INTERESTS IN ASSOCIATES

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

Details of Suzhou Junsheng Limited Partnership are set out in the Company's announcement and circular dated 21 August 2018 and 21 December 2018, respectively.

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

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

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

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

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

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

Details of the Jiaxing Shengshi Limited Partnership are set out in the Company's announcements dated 11 October 2016, 18 October 2016 and 19 December 2016, respectively.

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

(i) On 30 December 2016 and 27 February 2017, the Group entered into two subscription agreements with 內蒙古呼和浩特金谷農村商業銀行股份有限公司 (Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company*) ("**Hohhot Jingu Bank**"), a joint stock company incorporated in the PRC, being independent third party to the Group, to subscribe for 6,600,000 shares and 57,124,844 shares of Hohhot Jingu Bank respectively at RMB3 per subscription share (the "**Subscription A**" and the "**Subscription B**", respectively). On 14 December 2017, the Group entered into another subscription agreement with Hohhot Jingu Bank to subscribe for 24,875,156 subscription shares at RMB3 per subscription share at total consideration of approximately RMB74,625,000 (the "**Subscription C**"). On 12 June 2018, the Group entered into a termination agreement (the "**Termination Agreement**") with Hohhot Jingu Bank to terminate the Subscription C.

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

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

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

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

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

(iii) On 23 May 2016, a wholly-owned subsidiary of the Company entered into an equity transfer agreement with an individual, being independent third party to the Group, to acquire 100% equity interests of 北京四海盈辰投資有限公司 (Beijing Sihai Ying Chen Investment Limited*) ("**Beijing Sihai**") ("**Beijing Sihai Acquisition**"). As such, Beijing Sihai is a wholly-owned subsidiary of the Group as at 31 December 2018 and 2017. As at the date of the Beijing Sihai Acquisition, Beijing Sihai held 25% equity interest in 北京潤豐元大小額貸款有限公司 (Beijing Runfeng Yuanda Microfinance Limited*) ("**Runfeng Yuanda**"). As at 31 December 2017, the 25% equity interests in Runfeng Yuanda amounted to approximately RMB26,263,000 (at cost). During the year ended 31 December 2018, the Group proceeded further acquisition of 30% equity interest in Runfeng Yuanda at a cash consideration of approximately RMB30,000,000. Upon completion of this further acquisition, the Group would have control over Runfeng Yuanda, which in turn enable the Group to exercise power over Runfeng Yuanda. As at 1 November 2018, the fair value of the 25% equity interest of approximately RMB27,106,000 has been reclassified from "financial assets at fair value through other comprehensive income" to "interests in subsidiaries" (note 22). The principal activity of Runfeng Yuanda is microfinance businesses in the PRC.

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

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

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

As at 31 December 2018, the unlisted equity investments measured at fair value with the carrying amount of approximately RMB813,158,000 (2017: RMB830,269,000) were pledged as securities for the Group's loans and borrowings (note 19).

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

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

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

During the year ended 31 December 2018, the Group disposed of all of its equity securities investment listed in the PRC at a consideration of approximately RMB75,062,000, resulting in a net realised loss on disposal of financial assets measured at fair value through profit or loss of approximately RMB53,613,000 (note 4).

As at 31 December 2018 and 2017, the fair values of all listed securities are determined directly by reference to the quoted market bid price available on the relevant exchanges.

15. TRADE, BILLS AND OTHER RECEIVABLES

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

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

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

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

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

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

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

Notes:

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

Renewable energy subsidies receivables represent PRC government subsidies on solar power plants to be received from the State Grid Company based on the respective electricity sale and purchase agreements for each of the solar power plants and the prevailing nationwide government policies. As at 31 December 2018, the outstanding renewable energy subsidy amounted to approximately RMB2,179,498,000 (2017: RMB1,508,620,000).

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

(iii) As at 31 December 2018, certain trade receivables arising from the sales of electricity amounting to approximately RMB1,713,102,000 (2017: RMB921,851,000) were pledged as securities for the Group's loans and borrowings (note 19).

16. STRUCTURED BANK DEPOSITS

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

17. CASH AND CASH EQUIVALENTS

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

Included in cash and cash equivalents of the Group is approximately RMB245,790,000 (2017: RMB426,409,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

18. TRADE AND OTHER PAYABLES

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

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

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

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

19. LOANS AND BORROWINGS

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

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

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

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

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

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

The loans and borrowings were secured by the following assets:

	2018	2017
	RMB'000	*RMB'000*
Solar power plants *(note 10)*	**8,027,467**	7,455,097
Trade receivables *(note 15)*	**1,713,102**	921,851
Property, plant and equipment	**–**	688
Lease prepayments	**774**	821
Unlisted equity investments, at fair value *(note 13)*	**813,158**	830,269
	10,554,501	9,208,726

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20. CORPORATE BONDS

	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**386,478**	400,067
Initial recognition	**225,820**	–
Imputed interest expense *(note 5)*	**37,318**	37,710
Interest paid/payable	**(23,201)**	(23,762)
Repayment	**(371,071)**	–
Exchange realignment	**20,039**	(27,537)
At end of the year	**275,383**	386,478

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

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

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

The corporate bonds are measured at amortised cost using effective interest method by applying an effective interest rate ranging from 10.24% to 12.00% (2017: 10.24%) per annum. Imputed interest of approximately HK$44,200,000 (equivalent to approximately RMB37,318,000) (2017: HK$43,523,000 (equivalent to approximately RMB37,710,000)) (note 5) in respect of the corporate bonds was recognised in profit or loss during the year ended 31 December 2018.

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

21. SHARE CAPITAL

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

22. ACQUISITION OF SUBSIDIARIES

Business combinations

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

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

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

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

	Carrying amount	**Fair value adjustments**	**Fair value**
	RMB’000	*RMB’000*	*RMB’000*
Property, plant and equipment	150	–	150
Inventories	3,770	–	3,770
Trade and other receivables	110,943	–	110,943
Cash and cash equivalents	29,896	–	29,896
Trade and other payables	(27,422)	–	(27,422)
Total identifiable net assets at fair value	117,337		117,337
Goodwill			746
Gain on bargain purchase on acquisitions of subsidiaries *(note i)*			(2,504)
Less: Non-controlling interests			(51,473)
Transfer from financial assets at fair value through other comprehensive income *(note 13)*			(27,106)
Total cash consideration			37,000

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

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

Notes:

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

Please refer to the 2017 annual report of the Company for comparative information relating to acquisition of subsidiaries.

23. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

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

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

Notes:

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

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

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

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

	RMB'000
Net assets disposed of:	
Solar power plants *(note 10)*	350,193
Property, plant and equipment	153
Investment properties	927
Lease prepayment	997
Trade, bills and other receivables	123,403
Cash and cash equivalents	376
Other payables and accruals	(156,899)
Loans and borrowings	(249,608)
	69,542
Release of exchange reserve upon disposal	(19)
Net gain on disposal/deregistration of subsidiaries	2,693
Total cash consideration	72,216

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

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

Please refer to the 2017 annual report of the Company for comparative information relating to disposal of subsidiaries

24. EVENTS AFTER REPORTING DATE

(i) On 21 March 2019, the Group entered into a sale and purchase agreement with a connected person of the Company at the subsidiary level to dispose 17.4% equity interest in Kong Sun Baoyuan for a total consideration of RMB105,000,000. Upon completion, the Group's equity interest in Kong Sun Baoyuan will decrease from 55% to 37.6%. Kong Sun Baoyuan will cease to be a joint venture of the Company and become an associate of the Company under HKAS 28. For details, please refer to the announcement of the Company dated 21 March 2019.

(ii) On 21 March 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest in 霍林郭勒競日能源有限公司 (Huolin Guole Jingri Energy Limited*)("Huolin Guole") for a total consideration of RMB148,608,800. Upon completion, Huolin Guole will cease to be a wholly-owned subsidiary of the Company and its financial statements will no longer be consolidated to the Group's financial statements. For details, please refer to the announcement of the Company dated 21 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

SOLAR POWER PLANTS BUSINESS

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

Completed solar power plants

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

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

Solar power plants under construction

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

PROVISION OF FINANCIAL SERVICES

The total revenue arising from the provision of financial services decreased by approximately 5.7% from approximately RMB13,663,000 for the year ended 31 December 2017 to approximately RMB12,891,000 for the year ended 31 December 2018. The decrease was mainly due to the expiry of certain financial lease projects.

SECURITIES INVESTMENT

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

RESULTS OF OPERATIONS

Revenue

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

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

The Group's revenue from sales of electricity increased by approximately 38.2% from approximately RMB1,254,701,000 for the year ended 31 December 2017 to approximately RMB1,734,187,000 for the year ended 31 December 2018 due to the increase in aggregate volume of electricity generated by the Group's grid-connected solar power plants during the year. The solar power plants owned by the Group have generated electricity in an aggregate volume of approximately 2,190,064 megawatt-hour ("**MWh**") for the year ended 31 December 2018, representing a substantial increase of approximately 40% as compared to approximately 1,566,354 MWh for year ended 31 December 2017.

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

Revenue from provision of financial services

The Groups' revenue arising from the provision of financial services decreased by approximately 5.7% from approximately RMB13,663,000 for the year ended 31 December 2017 to approximately RMB12,891,000 for the year ended 31 December 2018. The decrease was mainly due to the expiry of certain financial lease projects.

Revenue from trading of liquefied natural gas

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

Gross profit and gross profit margin

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

Other gains and losses

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

Administrative expenses

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

Gain on bargain purchase on acquisition of subsidiaries

Gain on bargain purchase on acquisition of subsidiaries represents the excess of the fair value of the identifiable assets acquired and liabilities assumed for the acquisition over fair value of consideration transferred at acquisition. The gain on bargain purchase during the year ended 31 December 2018 amounted to approximately RMB2,504,000 (2017: RMB53,260,000) as a result of acquisition of certain subsidiaries during the year. For details, please refer to note 22 to the financial statements in this announcement.

Gain on disposal/deregistration of subsidiaries, net

During the year ended 31 December 2018, the Group disposed/deregistered certain subsidiaries and recorded net gain on disposal/deregistration of subsidiaries of approximately RMB2,693,000 (2017: RMB12,031,000). For details, please refer to note 23 to the financial statements in this announcement.

Finance costs

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

Solar power plants

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

Interest in a joint venture

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

The Group executes a guarantee with respect to a loan of approximately RMB92,873,000 (2017: RMB138,211,000) granted by independent third parties to Kong Sun Baoyuan as at 31 December 2018, under which the Group is liable to pay the proportionate share if the independent third parties are unable to recover the loan from Kong Sun Baoyuan. As at the reporting date, no provision for the Group's proportionate obligation under the guarantee contracts has been made as the Directors consider that it is not probable that the repayment of the loan will be in default.

Goodwill

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

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

Financial assets measured of fair value through other comprehensive Income/Available-for-sale investments increased by approximately 29.9% from approximately RMB1,576,206,000 as at 31 December 2017 to approximately RMB2,047,434,000 as at 31 December 2018. The increase is mainly due to (i) the capital contribution paid in Suzhou Junsheng Limited Partnership amounted to RMB400,000,000; (ii) the additional capital contribution paid in Taizhou Jiuan Limited Partnership amounted to RMB100,000,000; and (iii) the additional capital contribution paid in Huoerguosi Limited Partnership amounted to approximately RMB59,227,000. The increase is partially netted off by the fair value loss on financial assets measured at fair value through other comprehensive income amounted to approximately RMB71,452,000. The investments are held for long-term investment purpose and hence are classified as financial assets measured at fair value through other comprehensive income in the consolidated statement of financial position. For details, please refer to note 13 to the financial statements in this announcement.

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

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

Trade, bills and other receivables

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

Structured bank deposits

As at 31 December 2018, the Group placed approximately RMB9,230,000 structured bank deposits with a bank in the PRC to earn a guaranteed and capital-protected return by making good use of the idle cash of the Group. The deposits were withdrawn in January 2019.

Trade and Other Payables

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

Liquidity and Capital Resources

As at 31 December 2018, cash and cash equivalents of the Group was approximately RMB256,310,000 (2017: RMB445,638,000), which included an amount of bank balances of approximately RMB245,790,000 (2017: RMB426,409,000) denominated in RMB placed with banks in the PRC. The remaining balance of the Group's cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily denominated in Hong Kong dollar and placed with banks in Hong Kong.

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

Capital Expenditure

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

Loans and Borrowings

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

As at 31 December 2018, out of the total borrowings, approximately RMB890,610,000 (2017: RMB595,471,000) was repayable within one year and approximately RMB10,726,625,000 (2017: RMB8,744,467,000) was repayable after one year. For details, please refer to note 19 to the financial statements in this announcement.

Corporate bonds

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

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

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

The corporate bonds are measured at amortised cost using effective interest method by applying an effective interest rate ranging from 10.24% to 12.00% (2017: 10.24%) per annum. Imputed interest of approximately HK$44,200,000 (equivalent to approximately RMB37,318,000) (2017: HK$43,523,000 (equivalent to approximately RMB37,710,000)) (note 5 to the financial statements in this announcement) in respect of the corporate bonds was recognised in profit or loss during the year ended 31 December 2018.

Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the year ended 31 December 2018, the Group's revenue were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Directors expect any future exchange rate fluctuation will not have any material effect on the Group's business. The Group did not use any financial instruments for hedging purpose, but will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on Assets

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

Save as disclosed above and in note 19 to the financial statements in this announcement, during the year ended 31 December 2018, the Group has no other charges on assets.

Contingent Liabilities

The Group acquired equity interests of certain subsidiaries principally engaged in the development of solar power plant projects and the applications for the development of these solar power plant projects were actually made by their former shareholders. According to certain notices (the "**Notices**") issued by the State Energy Administration (國家能源局), the Notices prohibit the original applicants who have obtained the approval documents from the government authorities for the solar power plants projects from transferring the equity interests of solar power plant projects before such solar power plants were connected to the power grid. Taking into consideration the legal opinion obtained from the Company's legal adviser as to PRC law, and given that the Group has obtained the preliminary approval from respective relevant government authorities to continue with the development of the solar power plants, the Company's legal adviser as to PRC law is of the view that the possibility for these subsidiaries to be fined or to face other adverse consequences imposed by the relevant government authorities is remote. Accordingly, the Directors consider there is no significant impact on the Group's control over these subsidiaries and the development of these solar power plants.

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

Employees and Remuneration Policy

As at 31 December 2018, the Group had approximately 849 employees (2017: 829) in Hong Kong and the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2018, the total employee benefit expenses (including directors' emoluments) were approximately RMB253,776,000 (2017: RMB210,539,000). For details, please refer to note 6 to the financial statements to this announcement. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short-term bonuses and long-term rewards such as share options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme on 22 July 2009 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

CONNECTED TRANSACTION

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

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

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

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

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

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

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

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

PROSPECT

In recent years, many countries in the world have devoted greater effort in the development and utilisation of renewable energy. Solar power has become one of the best alternatives to traditional energy due to its cleanliness and renewability. In 2018, the global solar power generation market maintained a strong growth, with an additional annual installed capacity of over 104 GW[1] and an accumulated installed capacity of over 509 GW, showing positive development momentum.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules for its corporate governance practices during the year under review. In the opinion of the Board, save for the deviation as disclosed below, the Company has complied with the applicable code provisions as set out in the CG Code throughout the year ended 31 December 2018.

1 Based on the data published by SolarPower Europe, a trade association in Europe

Code Provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing non-executive Directors and independent non-executive Directors is appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code in this respect.

Code Provision A.2.1

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

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: Nil).

EVENTS AFTER THE REPORTING DATE

For details of events after the reporting date, please refer to note 24 to the financial statements in this announcement.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors during the year ended 31 December 2018. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company and its subsidiaries.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2018 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") to approve and adopt the audited consolidated financial statements of the Company for the year ended 31 December 2018 will be held on Friday, 24 May 2019. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

The Company's register of members will be closed from Monday, 20 May 2019 to Friday, 24 May 2019 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the Company's website at www.kongsun.com. The annual report for the year ended 31 December 2018 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

SCOPE OF WORK PERFORMED BY AUDITOR

The financial information has been reviewed by the Audit Committee and approved by the Board. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

By order of the Board
Kong Sun Holdings Limited
Mr. Zeng Jianhua
Executive Director

Hong Kong, 25 March 2019

As of the date of this announcement, the Board comprises four executive Directors, Mr. Zeng Jianhua, Mr. Hou Yue, Mr. Deng Chengli and Mr. Jin Yanbing, two non-executive Directors, Mr. Wu Tak Kong and Mr. Wang Ke, and three independent non-executive Directors, Mr. Miu Hon Kit, Mr. Chen Kin Shing and Ms. Wang Fang.