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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 2022**

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 2022, together with the comparative figures for the corresponding year in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

		2022	2021
	Notes	RMB '000	RMB '000
Revenue	3	555,727	992,756
Cost of sales		<u>(288,038)</u>	<u>(412,358)</u>
Gross profit		267,689	580,398
Other (losses)/gains, net	4	(19,758)	34,557
Administrative expenses		(167,011)	(263,628)
Losses on disposals of subsidiaries, net	17	(8,587)	(484,570)
Impairment loss on a solar power plant	11	(28,029)	–
Impairment losses on a disposal group classified as held for sale		–	(79,787)
Impairment losses on trade and other receivables, net	13	(135,411)	(150,588)
Impairment loss on loan to an associate		(430)	–
Finance costs	7	(186,081)	(498,295)
Impairment loss on goodwill		–	(746)
Impairment losses on interests in associates		(7,196)	–
Share of profits/(losses) of associates		14,988	(56,796)
Share of loss of a joint venture		<u>(6,290)</u>	<u>–</u>
Loss before income tax	5	(276,116)	(919,455)
Income tax expense	8	<u>(14,203)</u>	<u>(15,884)</u>
Loss for the year		<u>(290,319)</u>	<u>(935,339)</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(294,878)	(936,973)
Non-controlling interests		<u>4,559</u>	<u>1,634</u>
		<u>(290,319)</u>	<u>(935,339)</u>
Loss per share for the year attributable to owners of the Company	9		
– Basic (RMB cents)		<u>(1.97)</u>	<u>(6.26)</u>
– Diluted (RMB cents)		<u>(1.97)</u>	<u>(6.26)</u>

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	(290,319)	(935,339)
Other comprehensive income, net of tax		
<i>Items that will not be reclassified to profit or loss:</i>		
– Fair value changes in financial assets measured at fair value through other comprehensive income	(23,685)	(13,820)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations	<u>(13,714)</u>	<u>6,895</u>
Other comprehensive income for the year, net of tax	<u>(37,399)</u>	<u>(6,925)</u>
Total comprehensive income for the year	<u>(327,718)</u>	<u>(942,264)</u>
Total comprehensive income attributable to:		
Owners of the Company	(332,277)	(943,898)
Non-controlling interests	<u>4,559</u>	<u>1,634</u>
	<u>(327,718)</u>	<u>(942,264)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>RMB '000</i>	2021 <i>RMB '000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		20,843	23,985
Solar power plants	<i>11</i>	2,052,524	2,851,655
Interests in associates		180,448	172,237
Interests in a joint venture		193,710	–
Goodwill		547	547
Right-of-use assets		157,292	191,566
Financial assets measured at fair value through other comprehensive income	<i>12</i>	760,194	1,186,361
Loan receivables	<i>13</i>	176,234	1,875
Deferred tax assets		11,955	8,121
Loan to an associate		119,576	–
		3,673,323	4,436,347
Current assets			
Inventories		1,923	939
Trade, bills and other receivables	<i>13</i>	2,024,665	2,624,616
Cash and cash equivalents		301,979	699,574
Loan to an associate		1,824	–
		2,330,391	3,325,129
Assets of disposal groups classified as held for sale		–	473,394
Total current assets		2,330,391	3,798,523

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Current liabilities			
Trade and other payables	<i>14</i>	386,433	506,230
Lease liabilities		13,410	19,988
Loans and borrowings	<i>15</i>	392,671	1,812,740
Corporate bonds		8,933	69,117
Tax payables		2,967	6,979
		<u>804,414</u>	<u>2,415,054</u>
Liabilities of disposal groups classified as held for sale		<u>—</u>	<u>145,974</u>
Total current liabilities		<u>804,414</u>	<u>2,561,028</u>
Net current assets		<u>1,525,977</u>	<u>1,237,495</u>
Total assets less current liabilities		<u>5,199,300</u>	<u>5,673,842</u>
Non-current liabilities			
Lease liabilities		116,573	125,250
Loans and borrowings	<i>15</i>	1,641,748	1,774,987
Corporate bonds		6,863	12,087
		<u>1,765,184</u>	<u>1,912,324</u>
NET ASSETS		<u><u>3,434,116</u></u>	<u><u>3,761,518</u></u>
CAPITAL AND RESERVES			
Share capital	<i>16</i>	6,486,588	6,486,588
Reserves		<u>(3,140,522)</u>	<u>(2,808,561)</u>
Equity attributable to the owners of the Company		<u>3,346,066</u>	<u>3,678,027</u>
Non-controlling interests		<u>88,050</u>	<u>83,491</u>
TOTAL EQUITY		<u><u>3,434,116</u></u>	<u><u>3,761,518</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

1.1 Adoption of new/amended HKFRSs – effective 1 January 2022

In the current year, the Group has applied for the first time the following new/amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2022:

Annual Improvement Project	Annual Improvements to HKFRSs 2018–2020
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework

The adoption of the above new/amended HKFRSs in current year has no material impact on the Group’s consolidated financial statements.

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimate ¹
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the 2020 Amendments) ¹
HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined by available for adoption

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

2. 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 2022 and 2021 included in this preliminary announcement of the 2022 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 2021 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 2022 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 2022, the auditor’s reports were unqualified; include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report as set out in sub-section under “EXTRACT OF INDEPENDENT AUDITOR’S 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 historical cost convention except for certain financial assets at fair value through other comprehensive income (“FVOCI”) and financial assets at fair value through profit or loss (“FVTPL”), which are stated at fair values.

In preparing the financial statements, the Directors considered the operations of the Group as a going concern notwithstanding that the Group incurred a net loss of approximately RMB290,319,000 (2021: RMB935,339,000) during the year ended 31 December 2022 and in light of the settlement of the Group’s certain tariff adjustment receivables from the state-grid companies amounting to RMB929,580,000 as at 31 December 2022 could be longer than the management’s original expectation. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2022, after taking into consideration of the following:

1. the expected settlement of the Group’s certain tariff adjustment receivables from the state-grid companies in the next twelve months from 31 December 2022, determined with reference to the historical settlement pattern;
2. loan extension agreements entered with the lenders to extend the repayment date of the outstanding loans; and
3. finance lease agreements entered with the leasing companies for addition borrowings.

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

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

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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of electricity	385,695	895,825
Provision of solar power plant operation and maintenance services	116,991	65,463
Interest income from provision of financial services	53,041	30,014
Trading of liquefied natural gas	—	1,454
	<hr/>	<hr/>
Consolidated revenue	<u>555,727</u>	<u>992,756</u>

During the year ended 31 December 2022, sales of electricity includes renewable energy subsidies from the state-grid companies in various provinces amounted to approximately RMB231,518,000 (2021: RMB604,135,000), of which RMB216,585,000 (2021: RMB586,765,000) have been registered in the Renewable Energy Tariff Subsidy Catalogue and remaining RMB14,933,000 (2021: RMB17,370,000) are subject to the registration to the Tariff Subsidy Project List.

For the years ended 31 December 2022 and 2021, the major customers contributed over 10% of the total revenue of the Group are set out below:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A in solar power plants segment	103,144	230,683
Customer B in solar power plants segment	—	137,852
Customer C in solar power plants segment	114,849	114,827
Customer D in solar power plants segment	58,022	—
	<hr/>	<hr/>

As at 31 December 2022, trade receivables from contracts with customers amounted to RMB1,412,208,000 (2021: RMB1,543,399,000).

4. OTHER (LOSSES)/GAINS, NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income from bank deposits	3,921	1,373
Interest income from an associate	1,830	–
Net realised losses on disposals of financial assets measured at fair value through profit or loss	–	(12,050)
Net unrealised gains on fair values changes on financial assets measured at fair value through profit or loss	–	12,334
Loss on disposal of property, plant and equipments	(22)	(198)
Loss on disposal of solar power plants	(672)	(638)
Write-back of other payables	6,542	43,327
Government grants (<i>note</i>)	601	3,488
Rental income	13,551	12,910
Solar power plant rectification expenses	(40,220)	(26,872)
Impairment losses on right-of-use assets	(8,384)	–
Write-down of inventories	(637)	–
Write-off of other receivables	(8,416)	–
Gain on deemed acquisition of an associate	328	–
Gain/(loss) on deemed disposal of an associate	91	(151)
Others	11,729	1,034
	<u>11,729</u>	<u>1,034</u>
	<u>(19,758)</u>	<u>34,557</u>

Note:

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

5. LOSS BEFORE INCOME TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditor's remuneration		
– Audit services	1,980	2,250
– Non-audit services	908	1,661
Amortisation of right-of-use assets (included in cost of sales and administrative expenses)	24,441	28,803
Cost of inventories for trading of liquefied natural gas	–	675
Depreciation		
– Property, plant and equipment (included in cost of sales and administrative expenses)	5,611	6,501
– Solar power plants (<i>note 11</i>) (included in cost of sales)	130,970	268,051
Short-term leases expenses	2,008	2,030
	<u>178,918</u>	<u>578,972</u>

6. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	143,851	106,074
Contributions to defined contribution retirement plan	28,927	24,620
Equity-settled share-based payment expenses	316	974
	<u>173,094</u>	<u>131,668</u>

7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on loans and borrowings	178,597	464,189
Imputed interest on corporate bonds	2,089	18,974
Interest on lease liabilities	5,395	15,132
	<u>186,081</u>	<u>498,295</u>

8. INCOME TAX EXPENSE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
– PRC Corporate Income Tax	16,820	20,310
– withholding tax on dividend income	1,450	–
Deferred tax assets	<u>(4,067)</u>	<u>(4,426)</u>
	<u>14,203</u>	<u>15,884</u>

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 2022 and 2021.

The Group's PRC entities are subject to corporate income tax at the statutory rate of 25% (2021: 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 were approved after 1 January 2008, are entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective years in which their first operating income is derived.

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

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

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company for the year of approximately RMB294,878,000 (2021: RMB936,973,000) and approximately 14,964,442,000 (2021: 14,964,442,000) ordinary shares in issue during the year ended 31 December 2022.

(b) Diluted loss per share

The calculation of diluted loss per share is based on loss attributable to owners of the Company for the year of approximately RMB294,878,000 (2021: RMB936,973,000) and on the weighted average number of approximately 14,964,442,000 (2021: 14,964,442,000) ordinary shares in issue during the year ended 31 December 2022.

Diluted loss per share for the years ended 31 December 2022 and 2021 was the same as basic loss per share because the impact of the exercise of share options was anti-dilutive.

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2022 nor has any dividend been proposed since the end of reporting period (2021: Nil).

11. SOLAR POWER PLANTS

	Solar power plants <i>RMB '000</i>	Solar power plants under construction <i>RMB '000</i>	Total <i>RMB '000</i>
Cost			
At 1 January 2021	6,189,083	11,909	6,200,992
Additions	8,817	2,560	11,377
Disposal of subsidiaries	(2,374,928)	–	(2,374,928)
Transferred to disposal group classified as held for sale	(404,407)	(3,489)	(407,896)
Disposals	(12,699)	(4,076)	(16,775)
Write-off	(14,097)	–	(14,097)
	<hr/>	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022	3,391,769	6,904	3,398,673
Additions	82,847	4,193	87,040
Disposal of subsidiaries [#]	(785,769)	(7,707)	(793,476)
Disposals	(1,742)	–	(1,742)
Write-off	(86,714)	–	(86,714)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	2,600,391	3,390	2,603,781
	<hr/>	<hr/>	<hr/>
Accumulated depreciation and impairment			
At 1 January 2021	842,588	–	842,588
Charged for the year (<i>note 5</i>)	268,051	–	268,051
Disposal of subsidiaries	(501,680)	–	(501,680)
Transferred to disposal group classified as held for sale	(61,614)	–	(61,614)
Disposals	(327)	–	(327)
	<hr/>	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022	547,018	–	547,018
Charged for the year (<i>note 5</i>)	130,970	–	130,970
Disposal of subsidiaries [#]	(154,435)	–	(154,435)
Disposals	(325)	–	(325)
Impairment on solar power plants	28,029	–	28,029
	<hr/>	<hr/>	<hr/>
At 31 December 2022	551,257	–	551,257
	<hr/>	<hr/>	<hr/>
Net carrying amount			
At 31 December 2021	<u>2,844,751</u>	<u>6,904</u>	<u>2,851,655</u>
	<hr/>	<hr/>	<hr/>
At 31 December 2022	<u>2,049,134</u>	<u>3,390</u>	<u>2,052,524</u>
	<hr/>	<hr/>	<hr/>

During the year ended 31 December 2022, following the completion of the disposal, certain solar power plants previously classified under disposal group with the carrying amounts of approximately RMB346,282,000, together with the solar power plants disposed of during the year with the carrying amounts of approximately RMB639,041,000, amounting to a total of approximately RMB985,323,000, were derecognised to calculate the loss on disposal of subsidiaries for the year.

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

Management performed impairment test on certain completed solar power plants by using their respective value-in-use calculation, which are derived from the discounted cash flow method. The discounted cash flow method uses the financial budgets approved by management covering a 5-year period and are extrapolated up to the estimated useful lives of respective completed solar power plant (ranging from 18 to 20 years) with the discount rates of 10.73% to 12.77% (2021: 9.28% to 11.12%), which are pre-tax and reflect specific risks relating to the solar power plants. The management determined the estimated useful lives of the completed solar power plants with reference to their feasibility studies. Key inputs to the value-in-use calculations include electricity generating capacity, feed-in-tariff, insolation hours, budget gross margin and operating expenses. As a result of the impairment test, impairment loss on a solar power plant approximately RMB28,029,000 was recognised for the year ended 31 December 2022 (2021: RMB Nil).

As at 31 December 2022, certain solar power plants with carrying amount of approximately RMB360,778,000 (2021: RMB518,980,000) 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 2022, certain solar power plants with carrying amount of approximately RMB998,866,000 (2021: RMB2,054,066,000) were pledged as securities for the Group's loans and borrowings (note 15).

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Financial assets measured at fair value through other comprehensive income		
Unlisted partnership investments (<i>note (a)</i>)	302,463	704,964
Unlisted equity investments (<i>note (b)</i>)	457,731	481,397
	<u>760,194</u>	<u>1,186,361</u>

Notes:

(a) As at 31 December 2022 and 2021, 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 maximum total capital contribution of Suzhou Junsheng Limited Partnership can be up to RMB1,000,100,000, in which the Group's capital contribution is approximately 49.995% (equivalent to approximately RMB500,000,000).

Pursuant to the Suzhou Junsheng Partnership Agreement, the Suzhou Junsheng Limited Partnership makes investments that preserve and increase the value of its assets, and may place idle funds into bank deposits, currency markets and other cash-type assets. Furthermore, it may not borrow debt or provide external guarantees, and cannot engage in high-risk investments such as gold, artwork, real estate project, futures and financial derivatives. The 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, through appointing a representative to the investment decision committee comprising five members, procures that the Suzhou Junsheng Limited Partnership carefully selects investment targets and properly manages invested assets.

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

Notwithstanding the Group has the equity interest of 49.99% and a representative in the investment decision committee, the Directors are of the opinion that the ultimate governing body of decision making about the relevant activities of Suzhou Junsheng Limited Partnership retains in investment consultation committee in which the Group has no representative. Given that the Group has no power to control or to exercise significant influence over the financial and operating policies of Suzhou Junsheng Limited Partnership so as to obtain benefits from its activities and does not intend to trade for short-term profit, the Directors designated the above unlisted investment as financial assets at fair value through other comprehensive income.

Movement in investment in Suzhou Junsheng Limited Partnership during the years ended 31 December 2022 and 2021 is as follow:

	Total contribution	Fair value
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2021 and 1 January 2022	222,500	222,500
Reduction in contribution due to disposals of subsidiaries (note 1)	(130,000)	
Reduction in contribution due to repayment (note 2)	(92,500)	
	<hr/>	<hr/>
As at 31 December 2022	<u> —</u>	<u> —</u>

Note 1:

According to the first investment and repurchase agreement (the “**First Investment and Repurchase Agreement**”) dated 21 August 2018 entered into between the Group and Suzhou Junsheng Limited Partnership, Suzhou Junsheng Limited Partnership contributed a capital of RMB280,000,000, RMB260,000,000 and RMB260,000,000 to 阿圖什市華光能源有限公司 (Artux Huaguang Energy Limited*) (“**Huaguang**”), 阿圖什市興光能源有限公司 (Artux Xingguang Energy Limited*) (“**Xingguang**”) and 黃驊市正陽新能源有限公司 (Huanghua Zhengyang New Energy Limited*) (“**Huanghua Zhengyang**”) and holds approximately 98.25%, 99.62% and 96.60% equity interests of Huaguang, Xingguang and Huanghua Zhengyang, respectively, upon completion of the capital contribution while the Group retains the power to control the financial and operating policies of Huaguang, Xingguang and Huanghua Zhengyang so as to direct their relevant activities and to obtain significant economic benefits from their activities.

Pursuant to the First Investment and Repurchase Agreement, after repayment by the Group to the Suzhou Junsheng Limited Partnership of the pre-agreed price, comprising (i) the cost of equity in the amount of RMB800,000,000 to be paid at the end of the term of Suzhou Junsheng Limited Partnership (i.e. 5 years from 2018 to 2023); and (ii) premium on equity to be paid in quarterly instalments throughout the term of Suzhou Junsheng Limited Partnership (i.e. 5 years from 2018 to 2023).

For the year ended 31 December 2022, the premium on equity paid/payable, in substance a finance cost, amounting to RMB19,063,000 (2021: RMB9,100,000) was recognised under “finance cost” in the consolidated statement of profit or loss and, as at 31 December 2022, the accumulated premium on equity paid/payable to Suzhou Junsheng Limited Partnership amounted to RMB67,102,000 (2021: RMB48,039,000).

In view of the Group’s power to control the financial and operating policies of Huaguang, Xingguang and Huanghua Zhengyang so as to direct their relevant activities and to obtain significant economic benefits from their activities, the Directors are of the opinion that the arrangement under the First Investment and Repurchase Agreements is in substance a financing arrangement of RMB800,000,000 in total (included under “Loans and other borrowings” (note 15(c)) with the pledge of the 98.25%, 99.62% and 96.60% equity interests of Huaguang, Xingguang and Huanghua Zhengyang, respectively, and therefore Huaguang, Xingguang and Huanghua Zhengyang are continuously treated as the wholly-owned subsidiaries of the Company.

During the year ended 31 December 2020, given Huaguang and Xingguang were disposed, the Group had to early repay the pre-agreed consideration to Suzhou Junsheng Limited Partnership in respect of Huaguang and Xingguang amounting to RMB280,000,000 and RMB260,000,000, respectively, in order to release the pledge of their respective equity interest of 98.25% and 99.62%. The Group received return of capital amounting to RMB270,000,000 from the disposal of Huaguang and Xingguang.

During the year ended 31 December 2022, given Huanghua Zhengyang were disposed of as disclosed in note 17(a), the Group had to early repay the pre-agreed consideration to Suzhou Junsheng Limited Partnership in respect of Huanghua Zhengyang amounting to RMB130,000,000 in order to release the pledge of their respective equity interest of 96.60%. The Group received return of capital amounting to RMB130,000,000 from the disposal of Huanghua Zhengyang.

Note 2:

On 29 January 2019, the Group entered into the second investment and repurchase agreement (the “**Second Investment and Repurchase Agreement**”) with the Suzhou Junsheng Limited Partnership, pursuant to which, the 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 is primarily engaged in electricity power generation and development, and holds approximately 99.46% equity interests of Shuozhou Yongyang upon completion of the capital contribution while the Group retains the power to control the financial and operating policies of Shuozhou Yongyang so as to direct its relevant activities and to obtain significant economic benefits from its activities.

Pursuant to the Second Investment and Repurchase Agreement, after repayment by the Group to Suzhou Junsheng Limited Partnership of the pre-agreed price, comprising (i) the cost of equity in the amount of RMB185,000,000 to be paid at the end of the term of Suzhou Junsheng Limited Partnership (i.e. 5 years from 2019 to 20 March 2023); and (ii) premium on equity to be paid in quarterly instalments throughout the term of Suzhou Junsheng Limited Partnership (i.e. 5 years from 2019 to 2023), Suzhou Junsheng Limited Partnership will transfer back to the

Group the 99.46% equity interests of Shuozhou Yongyang. For the year ended 31 December 2022, the premium on equity paid/payable, in substance a finance cost, amounting to RMB9,614,000 (2021: RMB6,475,000) was recognised under “finance cost” in the consolidated statement of profit or loss and, as at 31 December 2022, the accumulated premium on equity paid/payable to Suzhou Junsheng Limited Partnership amounted to RMB28,319,000 (2021: RMB18,705,000).

In view of the Group’s power to control the financial and operating policies of Shuozhou Yongyang so as to direct its relevant activities and to obtain significant economic benefits from its activities, the Directors are of the opinion that the arrangement under the Second Investment and Repurchase Agreement is in substance a financing arrangement of RMB185,000,000 (included under “Loans and other borrowings” (note 15(d)) with the pledge of the 99.46% equity interests of Shuozhou Yongyang and therefore Shuozhou Yongyang is continuously treated as a wholly-owned subsidiary of the Company.

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

During the year ended 31 December 2022, the Group had repaid the pre-agreed consideration to Suzhou Junsheng Limited Partnership in respect of Shuozhou Yongyang amounting to RMB92,500,000 in order to release the pledge of their respective equity interest of 99.46%

As at 31 December 2022, the Group has settled all the borrowings from Suzhou Junsheng Limited Partnership.

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

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

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

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

Movement in investment in Taizhou Jiuan for the years ended 31 December 2022 and 2021 is as follow:

	Total contribution	Fair value
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2021, 31 December 2021 and 2022 (<i>note</i>)	300,000	300,000

According to the cooperation agreement (“**Cooperation Agreement**”) entered into between the Group and Taizhou Jiuan Limited Partnership, Taizhou Jiuan Limited Partnership contributed a capital of RMB1,501,000,000 to 常熟宏略光伏电站開發有限公司 (Changshu Honglue Photovoltaic Power Plants Development Co., Ltd.*) (“**Changshu Honglue**”) and then holds 99.96% of Changshu Honglue upon completion of the capital contribution while the Group retains the power to control the financial and operating policies of Changshu Honglue so as to direct its relevant activities and to obtain significant economic benefits from its activities. Changshu Honglue holds six solar power plants project companies, 臨潭天朗新能源科技有限公司 (Lintan Tianlang New Energy Technology Co., Ltd.*) (“**Lintan Tianlang**”), 六安旭强新能源工程有限公司 (Liuan Xuqiang New Energy Engineering Co., Ltd.*) (“**Liuan Xuqiang**”), 嘉峪關協合新能源有限公司 (Jiayuguan Xiehe New Energy Co. Ltd.*) (“**Jiayuguan Xiehe**”), 定邊縣晶陽電力有限公司 (Dingbian Jingyang Electric Co., Ltd.*) (“**Dingbian Jingyang**”), 定邊縣智信達新能源有限公司 (Dingbian County Zhixinda New Energy Limited*) (“**Dingbian County Zhixinda**”) and 化隆縣瑞啟達新能源有限公司 (Hualong County Ruiqida New Energy Limited*) (“**Hualong County Ruiqida**”), which respectively own solar power plants of 20 MW in Lintan County, Gansu Province, 40 MW in Liuan County, Anhui Province, 50 MW in Jiayuguan City, Gansu Province, 30 MW in Dingbian County, Shaanxi Province, 50 MW in Dingbian County, Shaanxi Province and 20 MW in Hualong County, Qinghai Province, of the PRC.

Pursuant to the Cooperation Agreement, after repayment by the Group to Taizhou Jiuan Limited Partnership of the pre-agreed price, comprising (i) the cost of equity in the amount of RMB1,501,000,000 to be paid at the end of the term of Taizhou Jiuan Limited Partnership (i.e. 5 years from 2018 to 2022, further extended to 2024); and (ii) premium on equity to be paid in quarterly instalments throughout the term of Taizhou Jiuan Limited Partnership (i.e. 5 years from 2018 to 2022, further extended to 2024), Taizhou Jiuan Limited Partnership will transfer back to the Group the 99.96% equity interest of Changshu Honglue. For the year ended 31 December 2022, the premium on equity paid/payable, in substance a finance cost, amounting to RMB54,810,000 (2021: RMB78,115,000) was recognised under “finance cost” in the consolidated statement of profit or loss and, as at 31 December 2022, the accumulated premium on equity paid/payable to Taizhou Jiuan Limited Partnership amounted to RMB382,240,000 (2021: RMB327,430,000).

In view of the Group’s power to control the financial and operating policies of Changshu Honglue so as to direct the relevant activities of Changshu Honglue and to obtain significant economic benefits from its activities, the Directors are of the opinion that the arrangement under the Cooperation Agreement is in substance a financing arrangement of RMB1,501,000,000 (included under “Loans and other borrowings” (note 15(b)) with the pledge of the 99.96% equity interests of Changshu Honglue and therefore Changshu Honglue is continuously treated as a wholly-owned subsidiary of the Company.

During the year ended 31 December 2021, given Lintan Tianlang and Jiayuguan Xiehe were disposed of as disclosed in note 17(b), the Group had to early repay the pre-agreed consideration to Taizhou Jiuan Limited Partnership in respect of Lintan Tianlang and Jiayuguan Xiehe total amounting to approximately RMB341,161,000, in order to release the pledge of their respective equity interest of 99.96%.

During the year ended 31 December 2022, given Hualong County Ruiqida New Energy Limited was disposed of as disclosed in note 17(a), the Group had to early repay the pre-agreed consideration to Taizhou Jiuan Limited Partnership in respect of Hualong County Ruiqida New Energy Limited amounting to approximately RMB131,000,000, in order to release the pledge of their respective equity interest of 99.96%.

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

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

Movement in investment in Huoerguosi Limited Partnership for the years ended 31 December 2022 and 2021 are as follow:

	Total contribution	Fair value
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2021	99,207	2,452
Capital injection	25	25
Fair value loss recognised in other comprehensive income	—	(13)
	<hr/>	<hr/>
As at 31 December 2021 and 1 January 2022	99,232	2,464
Capital injection	18	18
Fair value loss recognised in other comprehensive income	—	(19)
	<hr/>	<hr/>
As at 31 December 2022	<u>99,250</u>	<u>2,463</u>

- (iv) On 11 October 2016, a wholly-owned subsidiary of the Company, as a junior limited partner, and the other two partners (collectively, the “**Partners**”), being independent third parties to the Group, entered into a partnership agreement (the “**Jiaxing Shengshi Partnership 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 Partnership Agreement, the maximum total capital contribution of the Jiaxing Shengshi Limited Partnership can be up to 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 Partnership Agreement, pursuant to which the Partners agreed to reduce the size of the maximum 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).

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

Movement in investment in Jiaxing Shengshi Limited Partnership for the years ended 31 December 2022 and 2021 are as follow:

	Total contribution <i>RMB'000</i>	Fair value <i>RMB'000</i>
As at 1 January 2021	255,000	255,000
Reduction in contribution due to repayment (<i>note 1</i>)	<u>(75,000)</u>	
As at 31 December 2021	180,000	180,000
Reduction in contribution due to repayment (<i>note 2</i>)	<u>(180,000)</u>	
As at 31 December 2022	<u><u>—</u></u>	<u><u>—</u></u>

Note 1:

According to cooperation agreement (“**Cooperation Agreement #1**”) entered into between the Group and Jiaxing Shengshi Limited Partnership, Jiaxing Shengshi Limited Partnership contributed a capital of RMB500,000,000 to 敦煌萬發新能源有限公司 (Dunhuang Wanfa New Energy Limited Company*) (“**Dunhuang Wanfa**”) and holds 86.207% equity interest of Dunhuang Wanfa upon completion of the capital contribution while the Group retains the power to control the financial and operating policies of Dunhuang Wanfa so as to direct its relevant activities and to obtain significant economic benefits from its activities. Dunhuang Wanfa holds a solar power plant of 60 MW in Dunhuang, Gansu Province of the PRC.

Pursuant to the Cooperation Agreement #1, after repayment by the Group to Jiaxing Shengshi Limited Partnership of the pre-agreed price, comprising (i) the cost of equity in the amount of RMB500,000,000 to be paid at the end of the term of Jiaxing Shengshi Limited Partnership (i.e. 5 years from 2017 to 2021); and (ii) premium on equity to be paid in quarterly instalments throughout the term of Jiaxing Shengshi Limited Partnership (i.e. 5 years from 2017 to 2021), Jiaxing Shengshi Limited Partnership will transfer back the 86.207% equity interest of Dunhuang Wanfa to the Group. For the year ended 31 December 2021, the premium on equity paid/payable, in substance a finance cost, amounting to RMB31,758,000 was recognised under “finance cost” in the consolidated statement of profit or loss. As at 31 December 2022, the accumulated premium on equity paid/payable to Jiaxing Shengshi Limited Partnership amounted to RMB196,455,000 (2021: RMB196,455,000).

In view of the Group’s power to control the financial and operating policies of Dunhuang Wanfa so as to direct the relevant activities of Dunhuang Wanfa and to obtain significant economic benefits from its activities, the Directors are of the opinion that the arrangement under the Cooperation Agreements #1 is in substance a financing arrangement of RMB500,000,000 with the pledge of the 86.207% equity interests of Dunhuang Wanfa and therefore Dunhuang Wanfa is continuously treated as a wholly-owned subsidiary of the Company.

During the year ended 31 December 2021, given Dunhuang Wanfa was disposed of as disclosed in note 17(b), the Group had to repay the pre-agreed consideration to Jiaxing Shengshi Limited Partnership in respect of Dunhuang Wanfa amounting to RMB500,000,000, in order to release the pledge of the equity interest of 86.207%. The Group received return of capital amounting to RMB75,000,000 due to disposal of Dunhuang Wanfa.

Note 2:

According to the cooperation agreement (“**Cooperation Agreement #2**”) entered into between the Group and Jiaxing Shengshi Limited Partnership, Jiaxing Shengshi Limited Partnership contributed a capital of RMB1,200,000,000 to 江山豐融投資有限公司 (Jiangshan Fengrong Investment Company Limited*) (“**Jiangshan Fengrong**”) and holds 99.99% equity interest of Jiangshan Fengrong upon completion of the capital contribution while the Group retains the power to control the financial and operating policies of Jiangshan Fengrong so as to direct its relevant activities and to obtain significant economic benefits from its activities. Jiangshan Fengrong holds a solar power plants project company, namely 榆林市江山永宸新能源有限公司 (Yulin City Jiangshan Yongchen New Energy Limited*) (“**Yongchen**”) which owns a solar power plant of 300 MW in Yulin City, Shaanxi Province of the PRC.

Pursuant to the Cooperation Agreement #2, after repayment by the Group to Jiaxing Shengshi Limited Partnership of the pre-agreed price, comprising (i) the cost of equity in the amount of RMB1,200,000,000 to be paid at the end of the term of Jiaxing Shengshi Limited Partnership (i.e. 5 years from 2017 to 2021); and (ii) premium on equity to be paid at the end of the term of the term of Jiaxing Shengshi Limited Partnership (i.e. 5 years from 2017 to 2021), Jiaxing Shengshi Limited Partnership will transfer back to the Group the 99.99% equity interest of Jiangshan Fengrong. For the year ended 31 December 2022, the premium on equity paid/payable, in substance a finance cost, amounting to RMB9,739,000 (2021: RMB46,980,000) was recognised under “finance cost” in the consolidated statement of profit or loss and, as at 31 December 2022, the accumulated premium on equity paid/payable to Jiaxing Shengshi Limited Partnership amounted to RMB438,758,000 (2021: RMB429,019,000).

In view of the Group’s power to control the financial and operating policies of Jiangshan Fengrong so as to direct the relevant activities of Jiangshan Fengrong and to obtain significant economic benefits from its activities, the Directors are of the opinion that the arrangement under the Cooperation Agreement #2 is in substance a financing arrangement of RMB1,200,000,000 (included under “Loans and other borrowings” (note 15(a))) with the pledge of the 99.99% equity interests of Jiangshan Fengrong and therefore Jiangshan Fengrong is continuously treated as a wholly-owned subsidiary of the Company.

During the year ended 31 December 2021, given Yongchen was disposed of as disclosed in note 17(b), the Group had repaid part of the pre-agreed consideration to Jiaxing Shengshi Limited Partnership in respect of Yongchen amounting to approximately RMB1,020,000,000. During the year ended 31 December 2022, the Group had repaid the remaining part of the pre-agreed consideration to Jiaxing Shengshi Limited Partnership amounting to approximately RMB180,000,000 in order to release the pledge of their respective equity interest of 100%. As at 31 December 2022, the Group has settled all the borrowings from Jiaxing Shengshi Limited Partnership. The Group received return of capital amounting to RMB1,200,000,000 from the disposal of Yongchen.

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 2022 and 2021, included in the Group's unlisted equity investments, included the followings:

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

Total consideration of the Subscription A and Subscription B was approximately RMB191,174,000. In 2018, the Group received bonus issue of 8,875,316 shares of Hohhot Jingu Bank. Upon the receipt of bonus issue and as at 31 December 2018, the Group held an aggregate of 72,600,160 shares of Hohhot Jingu Bank, representing approximately 4.89% of the issued share capital of Hohhot Jingu Bank. As at 31 December 2022, this unlisted equity investment held by the Group, at fair value, represents approximately 4.88% (2021: 4.88%) the total number of shares of Hohhot Jingu Bank.

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

Unlisted equity investment in Hohhot Jingu Bank is measured at fair value. For the year ended 31 December 2022, a fair value loss of approximately RMB18,927,000 (2021: fair value gain of approximately RMB269,000) was recognised in other comprehensive income. The fair value of this investment in Hohhot Jingu Bank as at 31 December 2022 of approximately RMB181,105,000 (2021: RMB200,032,000) was determined with reference to the valuation report prepared by an independent professional qualified valuer.

(ii) On 30 March 2017, a wholly-owned subsidiary of the Company entered into two share transfer agreements with two vendors, being an independent third party to the Group, to acquire 107,500,000 domestic shares of Bank of Jinzhou Co., Ltd. ("**Jinzhou Bank**"), a bank based in the PRC, at the price of RMB7.9161 per domestic share. Total consideration of the acquisition of the shares of Jinzhou Bank was approximately RMB850,981,000. Details of the acquisitions are set out in the Company's announcements dated 30 March 2017 and 31 March 2017, respectively. As at 31 December 2022, this unlisted equity investment held by the Group, at fair value, represents approximately 1.03% (2021: 1.03%) and approximately 0.77% (2021: 0.77%) of the total number of domestic shares and the total number of shares (including domestic shares and H-shares) of Jinzhou Bank, respectively.

Unlisted equity investment in Jinzhou Bank is measured at fair value. For the year ended 31 December 2022, a fair value loss of approximately RMB4,739,000 (2021: RMB14,076,000) was recognised in other comprehensive income. The fair value of this unlisted equity investment of Jinzhou Bank as at 31 December 2022 of approximately RMB276,626,000 (2021: RMB281,365,000) was determined with reference to the valuation report prepared by an independent professional qualified valuer.

As at 31 December 2022, unlisted equity investments measured at fair value with the carrying value of approximately RMB276,626,000 (2021: RMB281,365,000) were pledged as securities for the Group's loans and borrowings (note 15).

13. TRADE, BILLS AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– Receivable from sales of electricity (<i>note (i)</i>)	53,499	38,822
– Tariff adjustment receivables (<i>note (i)</i>)	929,580	1,268,357
– Loan receivables (<i>note (ii)</i>)	408,316	229,106
– Receivable from provision of solar power plant operation and maintenance services (<i>note (i)</i>)	53,504	32,021
	<u>1,444,899</u>	<u>1,568,306</u>
Bills receivables (<i>note (i)</i>)	40,000	–
Impairment provision for trade receivables	<u>(32,691)</u>	<u>(24,907)</u>
Trade and bills receivables, net	<u>1,452,208</u>	<u>1,543,399</u>
Other receivables, prepayments and deposits		
– Prepaid expenses	56,612	69,278
– Value-added-tax (“VAT”) receivables (<i>note (iii)</i>)	16,816	161,212
– Consideration receivables in respect of disposal of subsidiaries (<i>note (iv)</i>)	326,452	325,412
– Amounts due from disposed subsidiaries (<i>note (iv)</i>)	93,653	401,176
– Security deposits (<i>note (v)</i>)	43,352	102,163
– Amounts due from independent third parties (<i>note (vi)</i>)	402,908	306,432
	<u>939,793</u>	<u>1,365,673</u>
Impairment provision for other receivables	<u>(191,102)</u>	<u>(282,581)</u>
Other receivables, prepayments and deposits, net	<u>748,691</u>	<u>1,083,092</u>
	<u>2,200,899</u>	<u>2,626,491</u>
Less: Amount shown under non-current assets		
Loan receivables, net	<u>(176,234)</u>	<u>(1,875)</u>
Amount shown under current assets	<u><u>2,024,665</u></u>	<u><u>2,624,616</u></u>

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 3 months	497,391	310,896
Over 3 months but less than 6 months	62,570	81,815
Over 6 months but less than 12 months	97,110	155,732
Over 12 months but less than 24 months	211,504	291,908
Over 24 months	543,633	703,048
	<u>1,412,208</u>	<u>1,543,399</u>

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	435,773	271,872
Less than 3 months past due	85,327	66,869
Over 3 months but less than 6 months past due	61,435	87,992
Over 6 months but less than 12 months past due	92,702	147,909
Over 12 months but less than 24 months past due	215,321	292,234
Over 24 months past due	521,650	676,523
	<u>1,412,208</u>	<u>1,543,399</u>

Movements in provision for impairment of trade and other receivables for the years ended 31 December 2022 and 2021 are as follows:

	Trade	Other	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	38,239	132,274	170,513
Impairment made during the year	12,992	162,907	175,899
Write-off	(1,995)	(10,618)	(12,613)
Transferred to disposal group classified as held for sale	—	(1,000)	(1,000)
Reversal of impairment loss	(24,329)	(982)	(25,311)
	<u>24,907</u>	<u>282,581</u>	<u>307,488</u>
At 31 December 2021 and 1 January 2022	24,907	282,581	307,488
Impairment made during the year	19,934	124,303	144,237
Write-off	(6,366)	(209,053)	(215,419)
Reversal of impairment loss	(5,784)	(3,042)	(8,826)
Disposal of subsidiaries	—	(3,687)	(3,687)
	<u>32,691</u>	<u>191,102</u>	<u>223,793</u>
At 31 December 2022	32,691	191,102	223,793

Notes:

- (i) Trade receivables from sales of electricity, provision of solar power plant operation and maintenance services and financial services whilst bills receivables represented outstanding commercial acceptance bills. Generally, these receivables are due within 30 to 180 days (2021: 30 to 180 days) from the date of billing, except for the tariff adjustment receivables.

Tariff adjustment receivables represent the PRC government subsidies on solar power plants to be received from the state-grid companies based on the respective electricity sale and purchase agreements for each of the solar power plants and the prevailing nationwide government policies.

As at 31 December 2022, certain trade and tariff adjustment receivables arising from the sales of electricity and tariff adjustment receivable amounting to approximately RMB439,125,000 (2021: RMB923,394,000) were pledged as securities for the Group's loans and borrowings (note 15).

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

	2022	2021
	RMB'000	RMB'000
Credit loans	302,724	154,589
Guaranteed loans	46,274	53,950
Collateral-backed loans	59,318	20,567
	408,316	229,106

The repayment period of the credit loans, guaranteed loan and collateral-backed loans receivables ranges from 2 months to 36 months, 2 months to 36 months and 6 months to 36 months (2021: 2 months to 36 months, 2 months to 36 months and 6 months to 36 months), respectively, and are denominated in RMB. The credit loans, guaranteed loans and collateral-backed loans receivables carry effective interest ranging from 6.0% to 24.0% p.a., 6.0% to 25.5% p.a. and 9.0% to 15.0% p.a. (2021: 5.0% to 24.0% p.a., 8.0% to 25.5% p.a. and 9.0% to 14.0% p.a.), respectively.

- (iii) The amount represented the VAT paid by the Group in relation to the construction of solar power plants which will be utilised and offset against the VAT payables for the sale of electricity.
- (iv) The amounts represented the consideration receivables and outstanding balances due from former subsidiaries in relation to the disposals occurred during the years 2021 and 2022. These amounts were unsecured, interest free and repayable according to the conditions of settlement set out in respective equity transfer agreement which is due within one year from the completion of disposals. The Group expects these amounts would be settled within the next 12 months after the end of the reporting period.

- (v) The amount represented deposits placed by the Group in the security deposits account opened in the independent leasing companies. Pursuant to the leasing agreements, offsetting rights have been granted by the Group to the independent leasing companies, allowing them to offset the entire security deposits against the Group's outstanding borrowings from these leasing companies.
- (vi) The amounts due from independent third parties, except the gross carrying amount of RMB100,000,000 which was secured by collateral provided by independent third party, with an interest rate of 8% per annum and repayable on demand with the debtor, the remaining balance were unsecured, interest free and repayable on demand.

14. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	104,306	167,555
Other payables and accruals	282,127	338,675
	386,433	506,230

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current or less than 3 months	32,147	17,140
Over 3 months but less than 6 months	10,027	1,053
Over 6 months but less than 12 months	8,914	75,431
Over 12 months	53,218	73,931
	104,306	167,555

Retentions payable amounting to approximately RMB5,850,000 (2021: RMB69,290,000), which are included in other payables and accruals, will be settled or recognised as income after more than one year. All other trade and other payables are expected to be settled within one year or are repayable on demand.

15. LOANS AND BORROWINGS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
Secured		
– bank loans	207,500	30,000
– other borrowings	185,171	1,782,740
	<u>392,671</u>	<u>1,812,740</u>
Non-current		
Secured		
– bank loans	–	222,500
– other borrowings	1,641,748	1,552,487
	<u>1,641,748</u>	<u>1,774,987</u>
Total loans and borrowings	<u>2,034,419</u>	<u>3,587,727</u>

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	392,671	1,812,740
After 1 year but within 2 years	1,416,228	1,023,291
After 2 years but within 5 years	179,331	629,962
Over 5 years	46,189	121,734
	<u>2,034,419</u>	<u>3,587,727</u>

Loans and other borrowings bear interest ranging from 4.9% to 10.25% (2021: 4.9% to 10.25%) per annum.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed-rate borrowings	1,567,241	2,551,446
Floating-rate borrowings	467,178	1,036,281
	<u>2,034,419</u>	<u>3,587,727</u>

The loans and borrowings were secured by the following assets:

	2022	2021
	RMB'000	RMB'000
Solar power plants (note 11)	998,866	2,054,066
Trade receivables (note 13)	439,125	923,394
Unlisted equity investments, at fair value (note 12)	276,626	281,365
	1,714,617	3,258,825

As at 31 December 2022, other borrowings that are secured by the equity interest of certain subsidiaries of the Company are summarised as follows:

- (a) other borrowings of approximately RMB Nil (2021: RMB270,107,000) were pledged by 99.99% equity interests of Jiangshan Fengrong;
- (b) other borrowings of approximately RMB1,014,741,000 (2021: RMB1,158,839,000) were pledged by 99.96% equity interests of Changshu Honglue and its subsidiaries including Liuan Xuqiang, Dingbian Jingyang and Dingbian County Zhixinda;
- (c) other borrowings of approximately RMB Nil (2021: RMB260,000,000) were pledged by 96.60% equity interests of Huanghua Zhengyang;
- (d) other borrowings of approximately RMB Nil (2021: RMB185,000,000) were pledged by 99.46% equity interests of Shuozhou Yongyang.

16. SHARE CAPITAL

	2022		2021	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
Issued and fully paid				
At beginning and end of year	14,964,442	6,486,588	14,964,442	6,486,588

17. DISPOSALS OF SUBSIDIARIES

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

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

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

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

	<i>RMB'000</i>
Net assets disposed of:	
Property, plant and equipment	710
Solar power plants (<i>note 11</i>)	985,323
Right-of-use assets	31,406
Deferred tax assets	233
Trade and other receivables	627,259
Cash and cash equivalents	6,869
Trade and other payables	(558,255)
Tax payables	(849)
Lease liabilities	(23,398)
Loans and borrowings	(449,789)
	<u>619,509</u>
Impairment loss on disposal group held for sale recognised in prior year	(79,787)
Net loss on disposal of subsidiaries	(8,587)
	<u>531,135</u>

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

	<i>RMB'000</i>
Net cash inflows arising from disposal of subsidiaries:	
Total consideration	531,135
Cash and cash equivalents disposed of (including cash and cash equivalents in disposal group held for sale)	(6,869)
	<u>524,266</u>

- (b) During the year ended 31 December 2021, the Group disposed of the entire equity interests in certain subsidiaries at a total cash consideration of approximately RMB2,446,809,000 (adjusted after negotiations with certain purchasers in respect of outstanding rectification works of certain solar power plants). The subsidiaries are set out below:

Name of entities	Disposal date
金塔縣永嘉新能源有限公司 (Jinta Yongjia New Energy Limited)	15 September 2021
甘肅宏遠光電有限責任公司 (Gansu Hongyuan Photovoltaic Limited)	22 September 2021
臨潭天朗新能源科技有限公司 (Lintan Tianlang New Energy Technology Co., Ltd.)	18 September 2021
敦煌萬發新能源有限公司 (Dunhuang Wanfa New Energy Limited Company)	27 October 2021
嘉峪關協合新能源有限公司 (Jiayuguan Xiehe New Energy Co. Ltd.)	29 September 2021
平山縣天匯能源科技有限公司 (Pingshan Tianhui Energy Technology Co., Ltd.)	7 December 2021
德州市陵城區乾超兄弟能源科技有限公司 (Dezhou City Lingcheng District Qianchao Brothers Energy Technology Co., Ltd.)	1 April 2021
玉門市永聯科技新能源有限公司 (Yumen Yonglian Technology New Energy Co., Ltd.)	15 January 2021
榆林市江山永宸新能源有限公司 (Yulin City Jiangshan Yongchen New Energy Limited)	30 April 2021
烏什縣華陽偉業太陽能科技有限公司 (Wushi Huayangweiye Solar Technology Limited)	22 December 2021
庫車天華新能源電力有限公司 (Kuche Tianhua New Energy Electric Power Limited)	21 December 2021
麥蓋提力諾太陽能電力有限公司 (Maigaiti Linuo Solar Power Limited)	10 December 2021
英吉沙縣天華偉業太陽能科技有限公司 (Yingjisha Tianhuaweiye Solar Technology Limited)	13 December 2021
柯坪天華新能源電力有限公司 (Keping Tianhua New Energy Electricity Limited)	14 December 2021
喀什國新電力有限公司 (Kashi Guoxin New Power Limited)	9 December 2021
麥蓋提縣恒基偉業光伏電力有限公司 (Maigaiti Hengji Weiye Photovoltaic Power Limited)	10 December 2021

These subsidiaries are principally engaged in the operation of solar power plants and electricity generation. Details have been set out in the Company's circular dated 26 February 2021 and 30 August 2021 and the Company's announcement on 2 November 2021, respectively.

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

	<i>RMB'000</i>
Net assets disposed of:	
Property, plant and equipment	2,687
Solar power plants (<i>note 11</i>)	4,122,131
Goodwill	39,393
Right-of-use assets	139,243
Inventories	577
Trade and other receivables	2,219,964
Cash and cash equivalents	86,019
Trade and other payables	(1,362,512)
Tax payables	(260)
Lease liabilities	(14,081)
Bank and other borrowings	(2,141,132)
	<u>3,092,029</u>
Impairment loss on disposal group held for sale recognised in prior year	(160,650)
Net loss on disposal of subsidiaries	(484,570)
	<u>(645,220)</u>
Total cash consideration	<u><u>2,446,809</u></u>

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

	<i>RMB'000</i>
Net cash inflows arising from disposal of subsidiaries:	
Total consideration	2,446,809
Cash and cash equivalents disposed of (including cash and cash equivalents in disposal group held for sale)	(86,019)
	<u><u>2,360,790</u></u>

18. SUBSEQUENT EVENT

On 27 February 2023, Dingbian County Zhixinda New Energy Limited (“Dingbian County Zhixinda”), as lessee, and Huadian Financial Leasing Co., Ltd. (“Huadian Financial Leasing”), as lessor, entered into the finance lease agreement, pursuant to which Huadian Financial Leasing shall purchase the leased assets from Dingbian County Zhixinda for a total consideration of RMB260,000,000. The leased assets would then be leased back to Dingbian County Zhixinda for a term of 10 years. The ownership of the leased assets under the finance lease agreement will be vested in Huadian Financial Leasing throughout the Lease Period. Upon the expiry of the Lease Period and subject to payments by Dingbian County Zhixinda of all amounts due under the finance lease agreement and no breach of the finance lease agreement by Dingbian County Zhixinda (or such breach having been remedied despite its occurrence), Dingbian County Zhixinda shall be entitled to purchase the leased assets on an “as-is” basis at a nominal consideration of RMB1.

On 7 March 2023, Shengzhou Yihui Photovoltaic Power Generation Limited (“**Shengzhou Yihui**”), as lessee, entered into the finance lease agreement with China Development Bank Financial Leasing Co., Ltd. (“**CDB Leasing**”), as lessor, pursuant to which CDB Leasing shall purchase the leased assets from Shengzhou Yihui for a total consideration of RMB110,000,000. The leased assets would then be leased to Shengzhou Yihui for a term of 12 years. The ownership of the leased assets under the finance lease agreement will be vested in CDB Leasing throughout the Lease Period. At the end of the Lease Period and subject to payments by Shengzhou Yihui of (i) all amounts due under the Finance Lease Agreement; and (ii) a nominal consideration of RMB100 for the leased assets, the ownership of the leased assets will be vested in Shengzhou Yihui.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to note 3.2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB290,319,000 during the year ended 31 December 2022, the settlement of the Group’s certain tariff adjustment receivables from the state-grid companies could be longer than the management’s original expectation. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

SOLAR POWER PLANTS BUSINESS

During the year ended 31 December 2022, the Group continued its investment in and development of solar power plants in the People's Republic of China (the "PRC"). As at 31 December 2022, the Group had a total of 359.8 MW completed solar power plants as follows:

Completed solar power plants

PRC Province	Number of solar power plants as at 31 December 2022	Capacity of solar power plants
Shaanxi	4	140.0 MW
Inner Mongolia	1	10.0 MW
Shanxi	1	20.0 MW
Anhui	5	140.0 MW
Zhejiang	1	19.8 MW
Hubei	1	30.0 MW
Total	13	359.8 MW

PROVISION OF FINANCIAL SERVICES

The revenue arising from the provision of financial services increased by approximately 76.7% from approximately RMB30,014,000 for the year ended 31 December 2021 to approximately RMB53,041,000 for the year ended 31 December 2022.

TRADING OF LIQUEFIED NATURAL GAS

The revenue arising from the trading of liquefied natural gas ("LNG") was approximately RMB1,454,000 for the year ended 31 December 2021. No such amount was recorded for the year ended 31 December 2022.

RESULTS OF OPERATIONS

Revenue

The revenue of the Group decreased by approximately 44.0% from approximately RMB992,756,000 for the year ended 31 December 2021 to approximately RMB555,727,000 for the year ended 31 December 2022. The decrease was due to the decrease in revenue from sales of electricity.

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

The Group's revenue from sales of electricity decreased by approximately 56.9% from approximately RMB895,825,000 for the year ended 31 December 2021 to approximately RMB385,695,000 for the year ended 31 December 2022 due to the decrease in aggregate volume of electricity generated by the Group's grid-connected solar power plants with the disposal of subsidiaries. The solar power plants owned by the Group have generated electricity in an aggregate volume of 511,840 megawatt-hours ("MWh") for the year ended 31 December 2022, representing a decrease of approximately 57.0% as compared to 1,189,413 MWh for the year ended 31 December 2021.

The Group's revenue from provision of solar power plant operation and maintenance services increased by approximately 78.7% from approximately RMB65,463,000 for the year ended 31 December 2021 to approximately RMB116,991,000 for the year ended 31 December 2022 mainly due to the start of certain solar power plant operation and maintenance services contracts.

Revenue from provision of financial services

The Groups' revenue from provision of financial services increased by approximately 76.7% from approximately RMB30,014,000 for the year ended 31 December 2021 to approximately RMB53,041,000 for the year ended 31 December 2022.

Revenue from trading of liquefied natural gas

The Group's revenue from trading of LNG was approximately RMB1,454,000 for the year ended 31 December 2021. No such amount was recorded for the year ended 31 December 2022.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 53.9% from approximately RMB580,398,000 for the year ended 31 December 2021 to approximately RMB267,689,000 for the year ended 31 December 2022. The gross profit margin of the Group decreased from approximately 58.5% for the year ended 31 December 2021 to approximately 48.2% for the year ended 31 December 2022 mainly due to the increase in portion of revenue from provision of solar power plant operation and maintenance services, which has a lower gross profit margin than that of the revenue from sales of electricity during the year ended 31 December 2022.

Other (losses)/gains, net

The other (losses)/gains, net of the Group changed from net gains of approximately RMB34,557,000 for the year ended 31 December 2021 to net losses approximately RMB19,758,000 for the year ended 31 December 2022. The change was mainly due to the decrease in write-back of other payables of approximately RMB36,785,000 and the increase in solar power plant rectification expenses of approximately RMB13,348,000.

Administrative expenses

Administrative expenses of the Group decreased by approximately 36.6% from approximately RMB263,628,000 for the year ended 31 December 2021 to approximately RMB167,011,000 for the year ended 31 December 2022. The decrease was mainly attributable to a decrease in consultancy and legal and professional expenses related to disposals of approximately RMB60,220,000 during the year ended 31 December 2022.

Losses on disposal of subsidiaries, net

During the year ended 31 December 2022, the Group disposed of certain subsidiaries and recorded net losses on disposal of subsidiaries of approximately RMB8,587,000 (2021: RMB484,570,000). For details, please refer to note 17 to the financial statements in this announcement.

Impairment loss on a solar power plant

During the year ended 31 December 2022, impairment loss of approximately RMB28,029,000 on a solar power plant was recognised as the result from impairment test performed on certain completed solar power plants. No such amount was recorded for the year ended 31 December 2021.

Impairment losses on a disposal group classified as held for sale

On 10 July 2021, the Group entered into sale and purchase agreements with an independent third party to dispose the entire equity interests in 化隆縣瑞啟達新能源有限公司 (Hualong County Ruiqida New Energy Limited*) (“**Hualong County Ruiqida**”) and 黃驊市正陽新能源有限公司 (Huanghua Zhengyang New Energy Limited*) (“**Huanghua Zhengyang**”), for a total equity consideration of approximately RMB337,461,000.

An impairment loss of approximately RMB79,787,000, representing the sale proceeds less the carrying amount of the net assets of Hualong County Ruiqida and Huanghua Zhengyang as at 31 December 2021, was charged to profit or loss during the year ended 31 December 2021.

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

Impairment losses on trade and other receivables, net

During the year ended 31 December 2022, impairment losses of approximately RMB135,411,000 (2021: RMB150,588,000) on trade and other receivables, net was recorded based on the lifetime expected credit losses.

Finance costs

Finance costs of the Group decreased by approximately 62.7% from approximately RMB498,295,000 for the year ended 31 December 2021 to approximately RMB186,081,000 for the year ended 31 December 2022. As the Group's loans and borrowings decreased during the year ended 31 December 2022, the finance costs related to the borrowings also decreased.

Solar power plants

As at 31 December 2022, the Group had a net carrying amount of approximately RMB2,049,134,000 (2021: RMB2,844,751,000) and approximately RMB3,390,000 (2021: RMB6,904,000) in completed solar power plants and solar power plants under construction, respectively. As at 31 December 2022, the Group had a total of 359.8 MW (2021: 529.8 MW) installed capacity of completed solar power plants.

Interest in associates

As at 31 December 2022, the net carrying amount of associates was approximately RMB180,448,000 (2021: RMB172,237,000).

Interest in a joint venture

As at 31 December 2022, with the incorporation of 北京紅楓新能源合夥企業(有限合夥) (Beijing Hongfeng New Energy Partnership (Limited Partnership)*) in November 2022, the net carrying amount of a joint venture was approximately RMB193,710,000. No such amount was recorded as at 31 December 2021.

Goodwill

As at 31 December 2022, the Group had a total amount of approximately RMB547,000 (2021: RMB547,000) in respect of goodwill on the acquisition of subsidiaries in previous years.

Right-of-use Assets

As at 31 December 2022, the right-of-use assets amounted to approximately RMB157,292,000 (2021: RMB191,566,000). The decrease is mainly contributed by the disposals of subsidiaries during the year ended 31 December 2022.

Financial assets measured of fair value through other comprehensive income

Financial assets measured of fair value through other comprehensive income decreased by approximately 64.1% from approximately RMB1,186,361,000 as at 31 December 2021 to approximately RMB760,194,000 as at 31 December 2022. The decrease is mainly due to (i) the fair value loss amounted to approximately RMB23,684,000; and (ii) the return of capital from 嘉興盛世神州永贏投資合夥企業(有限合夥)(Jiaying Shengshi Shenzhou Yongying Investment Partnership (Limited Partnership)*) and 蘇州君盛晶石股權投資合夥企業(有限合夥)(Suzhou Junsheng Jingshi Equity Investment Partnership (Limited Partnership)*), amounted to RMB180,000,000 and RMB222,500,000, respectively during the year ended 31 December 2022. 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 12 to the financial statements in this announcement.

Loan to an associate

As at 31 December 2022, the Group had a loan to an associate of approximately RMB121,400,000. The Group entered into a loan agreement with an associate, 江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*) on 11 November 2022 for a loan period of 3 years. The loan is unsecured and interest-bearing, which carries interest rate of 9.0% per annum. No such amount was noted for the year ended 31 December 2021.

Trade, bills and other receivables

Trade, bills and other receivables decreased by approximately 16.2% from approximately RMB2,626,491,000 as at 31 December 2021 to approximately RMB2,200,899,000 as at 31 December 2022. The decrease was mainly due to disposals of subsidiaries during the year ended 31 December 2022.

Trade and Other Payables

Trade and other payables decreased by approximately 23.7% from approximately RMB506,230,000 as at 31 December 2021 to approximately RMB386,433,000 as at 31 December 2022. The balance mainly comprised payables to suppliers of solar modules and equipment and engineering procurement construction contractors for purchase of solar modules and equipment and construction costs of solar power plants. The decrease was mainly due to disposals of subsidiaries during the year ended 31 December 2022.

Liquidity and Capital Resources

As at 31 December 2022, cash and cash equivalents of the Group was approximately RMB301,979,000 (2021: RMB699,574,000), which included an amount of bank balances of approximately RMB299,525,000 (2021: RMB689,139,000) 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 2022, the Group's net debt ratio, which was calculated by the total loans and borrowings and corporate bonds minus total cash and cash equivalents, over total equity, was approximately 0.52 (2021: 0.79).

Capital Expenditure

During the year ended 31 December 2022, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB2,942,000 (2021: RMB4,348,000) and approximately RMB87,040,000 (2021: RMB11,377,000), respectively.

Loans and Borrowings

As at 31 December 2022, the Group's total loans and borrowings was approximately RMB2,034,419,000 representing a decrease of approximately 43.3% compared to approximately RMB3,587,727,000 as at 31 December 2021. The decrease in the Group's total loans and borrowings was mainly due to disposals of subsidiaries, in which the loans and borrowings of these subsidiaries will be excluded from the Group upon their disposals. All the loans and borrowings of the Group were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC. As at 31 December 2022, loans and borrowings of approximately RMB467,178,000 (2021: RMB2,551,446,000) and approximately RMB1,567,241,000 (2021: RMB1,036,281,000) bear fixed interest rate and floating interest rate, respectively.

As at 31 December 2022, out of the total borrowings, approximately RMB392,671,000 (2021: RMB1,812,740,000) was repayable within one year and approximately RMB1,641,748,000 (2021: RMB1,774,987,000) was repayable after one year. For details, please refer to note 15 to the financial statements in this announcement.

Corporate bonds

As at 31 December 2022, corporate bonds denominated in Hong Kong dollar with an aggregate principal amount of HK\$19,000,000 (equivalent to approximately RMB16,972,000) (2021: HK\$102,000,000 (equivalent to approximately RMB83,395,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 6% (2021: 3% to 7%) per annum, and will mature on the date immediately following 3 to 96 months (2021: 3 to 96 months) after their issuance.

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

During the year ended 31 December 2021, the Group issued corporate bonds with an aggregate principal amount of HK\$10,500,000 (equivalent to approximately RMB8,715,000) to certain independent third parties, the net proceeds of the issued corporate bonds received by the Company were approximately HK\$9,853,000 (equivalent to approximately RMB8,178,000), with total issue cost amounting to approximately HK\$648,000 (equivalent to approximately RMB537,000).

During the year ended 31 December 2022, the Group repaid HK\$83,000,000 (equivalent to approximately RMB71,289,000) (2021: HK\$245,000,000 (equivalent to approximately RMB203,350,000)) in aggregate principal amount of the corporate bonds.

The corporate bonds are measured at amortised cost using effective interest method by applying an effective interest rate ranging from 10.40% (2021: 10.40% to 14.56%) per annum. Imputed interest of approximately HK\$2,432,000 (equivalent to approximately RMB2,089,000) (2021: HK\$22,861,000 (equivalent to approximately RMB18,974,000)) (note 7 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 2022.

Lease Liabilities

As at 31 December 2022, the lease liabilities amounted to approximately RMB129,983,000 (2021: RMB145,238,000). The decrease is mainly contributed by the disposals of subsidiaries during the year ended 31 December 2022.

Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the year ended 31 December 2022, 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 2022, the Group had charged solar power plants, trade receivables and unlisted equity investments with net book value of approximately RMB998,866,000 (2021: RMB2,054,066,000), approximately RMB439,125,000 (2021: RMB923,394,000) and approximately RMB276,626,000 (2021: RMB281,365,000), respectively, to secure bank loans and other loans facilities granted to the Group.

Save as disclosed above and in note 15 to the financial statements in this announcement, during the year ended 31 December 2022, 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. Therefore, these subsidiaries may be subject to fines or other adverse consequences imposed by the relevant PRC government authorities in the future. The relevant PRC government authorities are currently conducting nationwide inspections on matters such as compliance of equity transfer of solar power plants and full grid-connected power generation time. The Group will actively cooperate with the relevant PRC government authorities in inspections if necessary and assess the impact of the inspection results on the development of the Group’s solar power plants in a timely manner.

As at 31 December 2021, the Group had executed guarantee with respect to a loan of approximately RMB 82,601,000 granted by independent third parties to 甘肅宏遠光電有限責任公司 (Gansu Hongyuan Photovoltaic Limited*), an indirect wholly-owned subsidiary of the Company before its disposal on 22 September 2021.

As at 31 December 2021, the Group had executed guarantee with respect to a loan of approximately RMB 54,092,000 granted by independent third parties to 烏什縣華陽偉業太陽能科技有限公司 (Wushi Huayangweiye Solar Technology Limited*), an indirect wholly-owned subsidiary of the Company before its disposal on 22 December 2021.

As at 31 December 2021, the Group had executed guarantee with respect to a loan of approximately RMB 54,092,000 granted by independent third parties to 庫車天華新能源電力有限公司 (Kuche Tianhua New Energy Electric Power Limited*) an indirect wholly-owned subsidiary of the Company before its disposal on 21 December 2021.

Save as disclosed above, during the year ended 31 December 2022, the Group has no other significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2022, the Group had approximately 769 (2021: 837) employees in Hong Kong and the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2022, the total employee benefit expenses (including directors' emoluments) were approximately RMB173,094,000 (2021: RMB131,668,000). For details, please refer to note 6 in the financial statements to this announcement. The remuneration policy of the Group is to provide remuneration packages, including basic salary and short-term bonuses, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme on 22 July 2009 (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Share Option Scheme expired on 21 July 2019 and no further options could thereafter be granted. As at 31 December 2022, all outstanding options had lapsed.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this announcement, the Group did not have any other significant investments, did not hold any significant investments in an investee company with a value of 5% more of the Company's total assets, other material acquisition or disposal during the year ended 31 December 2022, 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

Despite the dramatic geopolitical changes in Europe and the impact of COVID-19 on economic development and social life, the demand for renewable energy generation in major markets around the world remains strong in 2022. The global solar power generation industry is expected to continue its rapid development trend.

In 2022, with comprehensive policy support from all levels of the Chinese government, China's clean energy industry continued to develop steadily, the solar power generation industry grew rapidly as the installed capacity continued to expand. According to the data released by the National Energy Administration, in 2022, China's newly installed solar power generation capacity was 87.41 million KW, and the cumulative installed capacity was 393 million KW. The national solar power generation capacity reached 425 billion kWh. The continuous growth of solar power generation and wind power installation also provides favourable development opportunities to the renewable energy plants operation and maintenance services business.

Looking forward, the Group will continue the strategies on the operation of solar power plants, optimise asset allocation efficiency and step up to improve the efficiency of the equipment at the power stations, continue to develop its green finance and inclusive finance business, meanwhile accelerate its transformation into new businesses in other energy and health sectors, increase the proportion of asset-light and high-tech businesses, so as to maximise the return of the assets and value for the shareholders.

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 2022.

Code Provision C.2.1

Code provision C.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Before the resignation of Mr. Jin Yanbing on 25 November 2022, the Company did not have a separate Chairman and CEO, Mr. Jin Yanbing performed 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. On 25 November 2022, Mr. Jiang Hengwen was appointed as the Chairman and the Company has not appointed any CEO. The duties and responsibilities of the CEO are carried out by both executive Directors. The Board will review the management structure regularly and consider the appointment of CEO if and when appropriate.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2022 (2021: Nil).

EVENTS AFTER THE REPORTING DATE

For details of events after the reporting date, please refer to note 18 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 2022. 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, 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 2022 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: Ms. Wu Wennan, Ms. Tang Yinghong and Mr. Xu Xiang. Ms. Wu Wennan 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 2022 will be held on Friday, 2 June 2023. 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, 29 May 2023 to Friday, 2 June 2023 (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 Thursday, 25 May 2023.

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 2022 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 2022 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. Jiang Hengwen
Chairman and non-executive Director

Hong Kong, 30 March 2023

As of the date of this announcement, the Board comprises two executive Directors, Mr. Wang Shaoyuan and Mr. Xian He, one non-executive Director, Mr. Jiang Hengwen, and three independent non-executive Directors, Ms. Tang Yinghong, Ms. Wu Wennan and Mr. Xu Xiang.