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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 2023**

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 2023, together with the comparative figures for the corresponding year in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

| | <i>Notes</i> | 2023 RMB'000 | 2022 RMB'000 |
|--|--------------|-------------------------------|------------------|
| Revenue | 3 | 474,793 | 555,727 |
| Cost of sales | | <u>(255,145)</u> | <u>(288,038)</u> |
| Gross profit | | 219,648 | 267,689 |
| Other gains/(losses), net | 4 | 30,295 | (19,758) |
| Administrative expenses | | (193,473) | (167,011) |
| Losses on disposals of subsidiaries, net | 15 | (33,770) | (8,587) |
| Impairment loss on a solar power plant | | – | (28,029) |
| Impairment losses on a disposal group classified as held for sale | 12 | (61,444) | – |
| Impairment losses on trade and other receivables, net | 11 | (156,276) | (135,411) |
| Impairment loss on loan to an associate | | (684) | (430) |
| Finance costs | 7 | (164,240) | (186,081) |
| Impairment losses on interests in associates | | – | (7,196) |
| Impairment loss on interest in a joint venture | | (6,780) | – |
| Impairment loss on goodwill | | (4,019) | – |
| Share of profits of associates | | 44,903 | 14,988 |
| Share of profits/(losses) of joint ventures | | <u>11,818</u> | <u>(6,290)</u> |
| Loss before income tax | 5 | (314,022) | (276,116) |
| Income tax expense | 8 | <u>(14,627)</u> | <u>(14,203)</u> |
| Loss for the year | | <u>(328,649)</u> | <u>(290,319)</u> |
| Loss for the year attributable to: | | | |
| Owners of the Company | | (335,800) | (294,878) |
| Non-controlling interests | | <u>7,151</u> | <u>4,559</u> |
| | | <u>(328,649)</u> | <u>(290,319)</u> |
| Loss per share for the year attributable to owners of the Company | 9 | | |
| – Basic (RMB cents) | | <u>(2.24)</u> | <u>(1.97)</u> |
| – Diluted (RMB cents) | | <u>(2.24)</u> | <u>(1.97)</u> |

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | <i>Notes</i> | 2023 RMB'000 | 2022 RMB'000 |
|--|--------------|-------------------------------|-----------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 31,417 | 20,843 |
| Solar power plants | | 943,096 | 2,052,524 |
| Interests in associates | | 218,533 | 180,448 |
| Interests in joint ventures | | 209,748 | 193,710 |
| Goodwill | | – | 547 |
| Right-of-use assets | | 127,197 | 157,292 |
| Financial assets measured at fair value through other comprehensive income | | 595,942 | 760,194 |
| Intangible assets | | 10,639 | – |
| Trade receivables | <i>11</i> | 191,840 | 176,234 |
| Deferred tax assets | | 12,164 | 11,955 |
| Loans to an associate | | 124,892 | 119,576 |
| | | 2,465,468 | 3,673,323 |
| Current assets | | | |
| Inventories | | 14,986 | 1,923 |
| Trade, bills and other receivables | <i>11</i> | 1,734,038 | 2,024,665 |
| Loans to an associate | | 606 | 1,824 |
| Cash and cash equivalents | | 254,778 | 301,979 |
| | | 2,004,408 | 2,330,391 |
| Assets of disposal groups classified as held for sale | <i>12</i> | 1,252,629 | – |
| Total current assets | | 3,257,037 | 2,330,391 |

| | <i>Notes</i> | 2023 <i>RMB '000</i> | 2022 <i>RMB '000</i> |
|--|--------------|--------------------------------|-------------------------|
| Current liabilities | | | |
| Trade and other payables | <i>13</i> | 668,397 | 386,433 |
| Lease liabilities | | 22,629 | 13,410 |
| Loans and borrowings | | 1,026,803 | 392,671 |
| Loans from an associate | | 26,100 | — |
| Corporate bonds | | 9,062 | 8,933 |
| Contract liabilities | | 140 | — |
| Tax payables | | 5,305 | 2,967 |
| | | <u>1,758,436</u> | <u>804,414</u> |
| Liabilities of disposal groups classified as held for sale | <i>12</i> | <u>269,682</u> | <u>—</u> |
| Total current liabilities | | <u>2,028,118</u> | <u>804,414</u> |
| Net current assets | | <u>1,228,919</u> | <u>1,525,977</u> |
| Total assets less current liabilities | | <u>3,694,387</u> | <u>5,199,300</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 124,670 | 116,573 |
| Loans and borrowings | | 632,413 | 1,641,748 |
| Corporate bonds | | 7,266 | 6,863 |
| | | <u>764,349</u> | <u>1,765,184</u> |
| NET ASSETS | | <u>2,930,038</u> | <u>3,434,116</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>14</i> | 6,486,588 | 6,486,588 |
| Reserves | | <u>(3,644,838)</u> | <u>(3,140,522)</u> |
| Equity attributable to the owners of the Company | | 2,841,750 | 3,346,066 |
| Non-controlling interests | | <u>88,288</u> | <u>88,050</u> |
| TOTAL EQUITY | | <u>2,930,038</u> | <u>3,434,116</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

1.1 Adoption of new/amended HKFRSs – effective 1 January 2023

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

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

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

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

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

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

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

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

¹ Effective for annual periods beginning on or after a date to be determined

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

³ Effective for annual periods beginning on or after 1 January 2025

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

2. BASIS OF PREPARATION

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

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of the 2023 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 2022 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 2023 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 2023, 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"), which are stated at fair values. The measurement bases are fully described in the accounting policies below.

In preparing the financial statements, the Directors considered the operations of the Group as a going concern notwithstanding that the Group incurred a net loss of approximately RMB328,649,000 during the year ended 31 December 2023, loans and borrowings of approximately RMB1,026,803,000 in current liabilities as at 31 December 2023 and in light of the settlement of the Group's certain tariff adjustment receivables from the state-grid companies amounting to RMB445,967,000 as at 31 December 2023 could be longer than the management's original expectation. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2023, after taking into consideration of the following:

1. the expected settlement of the Group's certain tariff adjustment receivables from the state-grid companies in the next twelve months from 31 December 2023, determined with reference to the historical settlement pattern;
2. the expected proceeds from disposal of subsidiaries and domestic shares in Bank of Jinzhou Co., Ltd. amounting to approximately RMB1,072,903,000 and RMB134,375,000 respectively in the next twelve months from 31 December 2023, determined with reference to the disposal contracts;
3. loan extension arrangements with the respective lenders to extend the repayment dates of the outstanding loans in which amounting to approximately RMB279,750,000 has been successfully extended in January 2024; and
4. finance lease arrangements with the leasing companies for addition borrowings in which amounting to approximately RMB180,000,000 has been successfully secured and available for the Group to withdraw in the next twelve months from 31 December 2023.

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 and interest income generated from provision of financial services. The amount of each significant category of revenue during the year is as follows:

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

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

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

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

4. OTHER GAINS/(LOSSES), NET

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

5. LOSS BEFORE INCOME TAX

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Auditor's remuneration | | |
| – Audit services | 2,380 | 1,980 |
| – Non-audit services | 1,653 | 908 |
| Amortisation of right-of-use assets (included in cost of sales and administrative expenses) | 23,296 | 24,441 |
| Depreciation | | |
| – Property, plant and equipment (included in cost of sales and administrative expenses) | 3,479 | 5,611 |
| – Solar power plants (included in cost of sales) | 98,491 | 130,970 |
| Short-term leases expenses | 1,688 | 2,008 |
| | <u>164,240</u> | <u>186,081</u> |

6. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Salaries, wages and other benefits | 191,332 | 143,851 |
| Contributions to defined contribution retirement plan | 43,630 | 28,927 |
| Equity-settled share-based payment expenses | – | 316 |
| | <u>234,962</u> | <u>173,094</u> |

7. FINANCE COSTS

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-------------------------------------|------------------------|------------------------|
| Interest on loans and borrowings | 155,769 | 178,597 |
| Imputed interest on corporate bonds | 707 | 2,089 |
| Interest on lease liabilities | 7,764 | 5,395 |
| | <u>164,240</u> | <u>186,081</u> |

8. INCOME TAX EXPENSE

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--------------------------------------|------------------------|------------------------|
| Current tax | | |
| – PRC Corporate Income Tax | 13,836 | 16,820 |
| – withholding tax on dividend income | 1,000 | 1,450 |
| Deferred tax assets | <u>(209)</u> | <u>(4,067)</u> |
| | <u>14,627</u> | <u>14,203</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 2023 and 2022.

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

Pursuant to CaiShui 2008 No.46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment (財政部、國家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 RMB335,800,000 (2022: RMB294,878,000) and on the weighted average number of approximately 14,964,442,000 (2022: 14,964,442,000) ordinary shares in issue during the year ended 31 December 2023.

(b) Diluted loss per share

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

10. DIVIDEND

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

11. TRADE, BILLS AND OTHER RECEIVABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-------------------------|-------------------------|
| Trade receivables | | |
| – Receivable from health management services <i>(note (i))</i> | 17,993 | – |
| – Receivable from sales of electricity <i>(note (i))</i> | 4,388 | 53,499 |
| – Tariff adjustment receivables <i>(note (i))</i> | 445,967 | 929,580 |
| – Loan receivables <i>(note (ii))</i> | 681,609 | 408,316 |
| – Receivable from provision of solar power plant operation and maintenance services <i>(note (i))</i> | 58,612 | 53,504 |
| | <u>1,208,569</u> | <u>1,444,899</u> |
| Bills receivables <i>(note (i))</i> | – | 40,000 |
| Impairment provision for trade receivables | <u>(67,709)</u> | <u>(32,691)</u> |
| Trade and bills receivables, net | <u>1,140,860</u> | <u>1,452,208</u> |
| Other receivables, prepayments and deposits | | |
| – Prepaid expenses | 90,094 | 56,612 |
| – Value-added-tax (“VAT”) receivables <i>(note (iii))</i> | 10,941 | 16,816 |
| – Consideration receivables in respect of disposal of subsidiaries <i>(note (iv))</i> | 634,842 | 326,452 |
| – Amounts due from disposed subsidiaries <i>(note (iv))</i> | 50,222 | 93,653 |
| – Security deposits <i>(note (v))</i> | 32,848 | 43,352 |
| – Amounts due from independent third parties <i>(note (vi))</i> | 233,755 | 402,908 |
| | <u>1,052,702</u> | <u>939,793</u> |
| Impairment provision for other receivables | <u>(267,684)</u> | <u>(191,102)</u> |
| Other receivables, prepayments and deposits, net | <u>785,018</u> | <u>748,691</u> |
| | <u>1,925,878</u> | <u>2,200,899</u> |
| Less: Amount shown under non-current assets | | |
| Loan receivables, net | (185,863) | (176,234) |
| Receivable from health management services, net | <u>(5,977)</u> | <u>–</u> |
| | <u>(191,840)</u> | <u>(176,234)</u> |
| Amount shown under current assets | <u><u>1,734,038</u></u> | <u><u>2,024,665</u></u> |

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

- (iii) The amount represented the VAT paid by the Group in relation to the construction of solar power plants which will be utilised and offset against the VAT payables for the sale of electricity.
- (iv) The amounts represented the consideration receivables and outstanding balances due from former subsidiaries in relation to the disposals occurred during the years 2022 and 2023. These amounts were unsecured, interest free and repayable according to the conditions of settlement set out in respective equity transfer agreement which is due within one year from the completion of the disposals. The Group expects these amounts would be settled within the next 12 months after the end of the reporting period.
- (v) The amount represented deposits placed by the Group in the security deposits account opened in independent leasing companies. Pursuant to the leasing agreements, offsetting rights have been granted by the Group to the independent leasing companies, allowing them to offset the entire security deposits against the Group's outstanding borrowings from these leasing companies.

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

12. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

2023 disposal group

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

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

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

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

RMB'000

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

13. TRADE AND OTHER PAYABLES

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

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

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

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

14. SHARE CAPITAL

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

15. DISPOSALS OF SUBSIDIARIES

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

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

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

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 | 474 |
| Solar power plants | 362,798 |
| Right-of-use assets | 20,435 |
| Trade and other receivables | 424,673 |
| Cash and cash equivalents | 5,623 |
| Trade and other payables | (5,702) |
| Lease liabilities | (7,478) |
| Loans and borrowings | (359,205) |
| | <u>441,618</u> |
| Net loss on disposal of subsidiaries | (33,770) |
| | <u>407,848</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 | 407,848 |
| Cash and cash equivalents disposed of | (5,623) |
| Consideration receivables in respect of disposal of subsidiaries | (341,202) |
| | <u>61,023</u> |

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

| Name of entities | Disposal date |
|---|----------------------|
| 化隆縣瑞啟達新能源有限公司 Hualong County Ruiqida New Energy Limited | 28 January 2022 |
| 應縣永熙新能源有限公司 Yingxian Yongxi New Energy Co., Ltd. | 28 April 2022 |
| 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 |
| 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 New Energy Ltd. | 26 October 2022 |
| 黃驊市正驊新能源有限公司 Huanghua Zhenghua New Energy Co., Ltd | 26 October 2022 |

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

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

RMB'000

Net assets disposed of:

| | |
|--|-----------------------|
| Property, plant and equipment | 710 |
| Solar power plants | 985,323 |
| Right-of-use assets | 31,406 |
| Deferred tax assets | 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) |
| | <hr/> |
| | 619,509 |
| Impairment loss on disposal group held for sale recognised in prior year | (79,787) |
| Net loss on disposal of subsidiaries | (8,587) |
| | <hr/> |
| Total cash consideration | <u><u>531,135</u></u> |

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

RMB'000

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

16. ACQUISITION OF SUBSIDIARIES

Acquisition of 69.45% equity interest in Beijing Eagle Eye Intelligent Health Technology Co., LTD. (“北京鹰之眼智能健康科技有限公司”) (“Beijing Eagle Eye”)

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

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

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

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

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

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

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

17. SUBSEQUENT EVENTS

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

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

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

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

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3.2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB328,649,000 during the year ended 31 December 2023, loans and borrowings of approximately RMB1,026,803,000 in current liabilities as at 31 December 2023 and 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.

BUSINESS REVIEW

The Company is an investment holding company with its subsidiaries mainly engaged in investment in and the operation of solar power plants, provision of solar power plant operation and maintenance services, provision of financial services and asset management, and construction of Digital and Intelligent Traditional Chinese Medicine (DI-TCM) health management and service system and provision of DI-TCM diagnosis and treatment equipment.

SOLAR POWER PLANTS BUSINESS

During the year ended 31 December 2023, the Group continued its investment in and development of solar power plants in the People’s Republic of China (the “PRC”). As at 31 December 2023, the Group had a total of 290 MW (2022: 359.8 MW) completed solar power plants as follows:

Completed solar power plants

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

PROVISION OF FINANCIAL SERVICES

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

HEALTH MANAGEMENT SERVICES

With the acquisition of Beijing Eagle Eye at the end of 2023, the Group has stepped into the Digital and Intelligent Traditional Chinese Medicine (DI-TCM) health management business and the business will start to generate revenue in 2024.

RESULTS OF OPERATIONS

Revenue

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

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

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

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

Revenue from provision of financial services

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

Gross profit and gross profit margin

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

Other gains/(losses), net

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

Administrative expenses

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

Losses on disposal of subsidiaries, net

During the year ended 31 December 2023, the Group disposed of certain subsidiaries and recorded net losses on disposal of subsidiaries of approximately RMB33,770,000 (2022: RMB8,587,000). For details, please refer to note 15 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 a result of the impairment test performed on certain completed solar power plant. No such amount was recorded during the year ended 31 December 2023.

Impairment losses on a disposal group classified as held for sale

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

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

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

Impairment losses on trade and other receivables, net

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

Finance costs

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

Impairment loss on goodwill

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

Solar power plants

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

Interest in associates

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

Interest in joint ventures

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

Goodwill

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

Right-of-use Assets

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

Financial assets measured of fair value through other comprehensive income

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

Loan to an associate

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

Trade, bills and other receivables

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

Trade and Other Payables

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

Liquidity and Capital Resources

As at 31 December 2023, cash and cash equivalents of the Group was approximately RMB254,778,000 (2022: RMB301,979,000), which included an amount of bank balances of approximately RMB244,839,000 (2022: RMB299,525,000) denominated in RMB placed with banks in the PRC. The remaining balance of the Group's cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily denominated in Hong Kong dollar and placed with banks in Hong Kong.

As at 31 December 2023, the Group's net debt ratio (or gearing ratio), which was calculated by the total loans and borrowings and corporate bonds minus total cash and cash equivalents, over total equity, was approximately 0.48 (2022: 0.52).

Capital Expenditure

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

Loans and Borrowings

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

As at 31 December 2023, out of the total borrowings, approximately RMB1,026,803,000 (2022: RMB392,671,000) was repayable within one year and approximately RMB632,413,000 (2022: RMB1,641,748,000) was repayable after one year.

Corporate bonds

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

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

During the year ended 31 December 2023, the Group did not repay any corporate bonds. During the year ended 31 December 2022, the Group repaid HK\$83,000,000 (equivalent to approximately RMB71,289,000) in aggregate principal amount of the corporate bonds.

The corporate bonds are measured at amortised cost using effective interest method by applying an effective interest rate ranging at 10.40% (2022:10.40%) per annum. Imputed interest of approximately HK\$785,000 (equivalent to approximately RMB707,000) (2022: HK\$2,432,000 (equivalent to approximately RMB2,089,000)) (note 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 2023.

Lease Liabilities

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

Foreign Exchange Risk

The Group primarily operates its business in the PRC and during the year ended 31 December 2023, the Group's revenue were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Directors expect any future exchange rate fluctuation will not have any material effect on the Group's business. The Group did not use any financial instruments for hedging purpose, but will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on Assets

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

Save as disclosed above and as at 31 December 2023, the Group had no other charges on assets.

Contingent Liabilities

The Group acquired equity interests of certain subsidiaries principally engaged in the development of solar power plant projects and the applications for the development of these solar power plant projects were actually made by their former shareholders. According to certain notices (the "Notices") issued by the State Energy Administration (國家能源局), the Notices prohibit the original applicants who have obtained the approval documents from the government authorities for the solar power plants projects from transferring the equity interests of solar power plant projects before such solar power plants were connected to the power grid. Therefore, these subsidiaries may be subject to fines or other adverse consequences imposed by the relevant PRC government authorities in the future. The relevant PRC government authorities are currently conducting nationwide inspections on matters such as compliance of equity transfer of solar power plants and full grid-connected power generation time. The Group will actively cooperate with the relevant PRC government authorities in inspections if necessary and assess the impact of the inspection results on the development of the Group's solar power plants in a timely manner.

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

Employees and Remuneration Policy

As at 31 December 2023, the Group had approximately 1,375 (2022: 769) employees in Hong Kong and the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2023, the total employee benefit expenses (including directors' emoluments) were approximately RMB234,962,000 (2022: RMB173,094,000). For details, please refer to note 6 in the consolidated financial statements in 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, and when occasion requires.

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 11 August 2023, the Group entered into six equity transfer agreements with 新華電力發展投資有限公司 (Xinhua Electricity Development Investment Limited*) in relation to the disposal of the entire equity interests in the following six subsidiaries engaged in solar power generation in the PRC: (i) Dingbian Wanheshun; (ii) Huangshi Huangyuan; (iii) Yulin Zhengxin; (iv) 嶺州懿暉光伏發電有限公司 (Shengzhou Yihui Photovoltaic Power Generation Limited*); (v) Dingbian Jingyang; and (vi) 定邊縣智信達新能源有限公司 (Dingbian County Zhixinda New Energy Limited*), for a total consideration of approximately RMB758,028,000 (the “**Disposals**”). The Disposals constituted a very substantial disposal of the Company under Chapter 14 of the Listing Rules and was approved by the Company's shareholders on 20 September 2023. Save for the subsidiaries set out in (iv) and (vi) above the disposals of which took place in October 2023, disposals of the other subsidiaries had not been completed as at 31 December 2023. For details of the Disposals, please refer to the Company's announcement dated 11 August 2023 and the Company's circular dated 31 August 2023.

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

Save as disclosed above, the Group did not have other material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

PROSPECT

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

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

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

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 C1 to the Listing Rules for its corporate governance practices during the year ended 31 December 2023. In the opinion of the Board, save for the deviation as disclosed below, the Company has complied with the code provisions as set out in Part 2 of the CG Code throughout the year ended 31 December 2023.

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. On 25 November 2022, Mr. Jiang Hengwen was appointed as the chairman of the Company and the Company did not appoint any CEO. The duties and responsibilities of the CEO are carried out by executive Director. 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 2023 (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

For details of events after the reporting date, please refer to note 17 to the financial statements in this announcement.

Save as disclosed above, there were no material events of the Group after 31 December 2023 up to the date of 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 C3 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 2023. 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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023, 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 2023 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

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, among other things, approve and adopt the audited consolidated financial statements of the Company for the year ended 31 December 2023 will be held on Friday, 7 June 2024. A notice convening the AGM will be published and (if applicable) 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, 3 June 2024 to Friday, 7 June 2024 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2024.

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 2023 of the Group containing all the information required by the Listing Rules will also be published on the same websites and (if applicable) 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 2023 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, 28 March 2024

As of the date of this announcement, the Board comprises one executive Director, 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.