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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$6,335.6 million (2018: approximately HK\$6,980.3 million), representing a decrease of approximately 9% as compared to the corresponding period of last year. Nevertheless, as a result of the change in the Group's revenue and business structure carried out since 2018, the Group's gross profit margin increased from 41.9% for the year ended 31 December 2018 to 45.7% for the year ended 31 December 2019, and the total gross profit for the year ended 31 December 2019 was comparable to the corresponding period of last year.
- Profit for the year of the Group was approximately HK\$842.1 million (2018: approximately HK\$1,378.0 million), representing a decrease of approximately 39% as compared to the corresponding period of last year. Profit attributable to the equity holders of the Company was approximately HK\$682.9 million (2018: approximately HK\$1,268.6 million), representing a decrease of approximately 46% as compared to the corresponding period of last year. Such decrease was primarily attributable to the combined effect of (i) the increase in finance costs attributable to the increases in average total balances of bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables for the year as compared to the corresponding period of last year; (ii) one-off impairments of property, plant and equipment and investments in associates; and (iii) the decrease in administrative expenses as a result of implementing cost reduction and efficiency enhancement by the Group during the year.
- EBITDA amounted to approximately HK\$3,281.2 million (2018: approximately HK\$3,475.7 million), representing a decrease of approximately 6% as compared to the corresponding period of last year.
- Basic and diluted earnings per share for the year were HK0.96 cents (2018: HK1.99 cents) and HK0.96 cents (2018: HK1.99 cents) respectively.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Clean Energy Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019 and the consolidated statement of financial position of the Group as at 31 December 2019, together with comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
REVENUE	2	6,335,620	6,980,270
Cost of sales		<u>(3,438,865)</u>	<u>(4,058,022)</u>
Gross profit		2,896,755	2,922,248
Other income and gains, net	2	278,333	334,059
Selling and distribution expenses		(3,566)	(21,624)
Administrative expenses		(557,573)	(664,314)
Other operating expenses, net		(315,421)	(45,395)
Finance costs	4	(1,210,215)	(975,170)
Share of profits and losses of:			
Joint ventures		(5,434)	(20,157)
Associates		<u>(51,248)</u>	<u>7,933</u>
PROFIT BEFORE TAX	3	1,031,631	1,537,580
Income tax expense	5	<u>(189,545)</u>	<u>(159,624)</u>
PROFIT FOR THE YEAR		<u>842,086</u>	<u>1,377,956</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		682,864	1,268,645
Non-controlling interests		<u>159,222</u>	<u>109,311</u>
		<u>842,086</u>	<u>1,377,956</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>HK0.96 cents</u>	<u>HK1.99 cents</u>
Diluted		<u>HK0.96 cents</u>	<u>HK1.99 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
PROFIT FOR THE YEAR	842,086	1,377,956
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange fluctuation reserve:		
Translation of foreign operations	(649,215)	(866,292)
Release upon disposal of subsidiaries	3,080	(17,767)
Share of other comprehensive loss of joint ventures	(2,130)	(8,175)
Share of other comprehensive loss of associates	(11,454)	(39,273)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(659,719)	(931,507)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	182,367	446,449
ATTRIBUTABLE TO:		
Equity holders of the Company	48,267	383,933
Non-controlling interests	134,100	62,516
	182,367	446,449

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		22,383,901	19,344,147
Investment properties		170,000	175,000
Prepaid land lease payments		–	236,522
Goodwill		495,556	500,567
Operating concessions		1,970,397	1,894,524
Operating rights		934,507	994,468
Other intangible assets		20,270	22,030
Investments in joint ventures		133,395	140,959
Investments in associates		723,799	703,510
Financial assets at fair value through profit or loss		262,072	263,124
Financial asset at fair value through other comprehensive income		7,092	7,205
Prepayments, deposits and other receivables		4,631,754	3,027,822
Other tax recoverables		1,291,040	1,292,153
Other non-current assets		649,896	102,802
Deferred tax assets		97,726	33,818
		<hr/>	<hr/>
Total non-current assets		33,771,405	28,738,651
CURRENT ASSETS			
Inventories		245,519	157,766
Contract assets	<i>8</i>	5,376,387	4,501,672
Trade and bills receivables	<i>9</i>	4,203,537	3,289,596
Prepaid land lease payments		–	18,220
Prepayments, deposits and other receivables		3,236,699	2,754,169
Other tax recoverables		1,182,167	886,818
Restricted cash and pledged deposits		323,627	292,896
Cash and cash equivalents		3,698,835	2,768,362
		<hr/>	<hr/>
		18,266,771	14,669,499
Assets of a disposal group classified as held for sale		154,106	–
		<hr/>	<hr/>
Total current assets		18,420,877	14,669,499

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and bills payables	<i>10</i>	5,563,504	4,375,776
Other payables and accruals		5,107,637	5,101,138
Interest-bearing bank and other borrowings	<i>11</i>	3,229,625	1,508,886
Finance lease payables	<i>13</i>	–	1,449,862
Lease liabilities	<i>13</i>	2,645,344	–
Income tax payables		149,564	158,595
		16,695,674	12,594,257
Liabilities directly associated with the assets classified as held for sale		118,758	–
Total current liabilities		16,814,432	12,594,257
NET CURRENT ASSETS		1,606,445	2,075,242
TOTAL ASSETS LESS CURRENT LIABILITIES		35,377,850	30,813,893
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>11</i>	8,938,290	6,041,281
Corporate bond	<i>12</i>	557,047	–
Finance lease payables	<i>13</i>	–	13,242,491
Lease liabilities	<i>13</i>	12,987,864	–
Other non-current liabilities		1,412,218	101,987
Deferred income		129,261	232,885
Deferred tax liabilities		347,401	319,842
Total non-current liabilities		24,372,081	19,938,486
Net assets		11,005,769	10,875,407
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>14</i>	63,525	63,525
Perpetual capital instrument	<i>15</i>	1,139,106	1,137,776
Reserves		8,103,134	8,878,287
Non-controlling interests		9,305,765	10,079,588
		1,700,004	795,819
Total equity		11,005,769	10,875,407

NOTES:

1.1 CORPORATE AND GROUP INFORMATION

Beijing Enterprises Clean Energy Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the “**Photovoltaic Power Business**”), wind power businesses (the “**Wind Power Business**”) and clean heat supply businesses (the “**Clean Heat Supply Business**”) in the mainland (“**Mainland China**”) in the People’s Republic of China (the “**PRC**”).

1.2 BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss, financial asset at fair value through other comprehensive income and financial guarantee contracts which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. This financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements:

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the above new and revised standards has had no significant financial effect on this financial information. The nature and the impact of the changes are described below:

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of leasehold land, property, machinery and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straightline basis over the lease term.

Adoption of HKFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets amounting to HK\$549,882,000 were recognised on 1 January 2019 based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. In addition, lease assets recognised previously under prepaid land lease payments and prepayments, deposits and other receivables of HK\$254,742,000 and HK\$47,185,000, respectively, were reclassified as right-of-use assets. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to include the right-of-use assets in “Property, plant and equipment” on the face of the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Using single discount rate to a portfolio of leases with reasonably similar characteristics
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) HK\$'000
Assets	
Property, plant and equipment	851,809
Prepaid land lease payments	(254,742)
Prepayments, deposits and other receivables	(47,185)
	<u> </u>
Total assets	<u><u>549,882</u></u>
Liabilities	
Lease liabilities	15,260,167
Finance lease payables	(14,692,353)
Deferred tax liabilities	33,647
	<u> </u>
Total liabilities	<u><u>601,461</u></u>
Retained earnings	<u><u>(51,579)</u></u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 December 2018	858,128
<i>Less:</i> Commitments relating to short-term leases and those leases with remaining lease terms ending on or before 31 December 2019	(16,414)
	<u> </u>
Weighted average incremental borrowing rate as at 1 January 2019	841,714 4.90%
	<u> </u>
Discounted operating lease commitments as at 1 January 2019	567,814
<i>Add:</i> Finance lease payables recognised as at 31 December 2018	14,692,353
	<u> </u>
Lease liabilities as at 1 January 2019	<u><u>15,260,167</u></u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue, other income and gains, net is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of electricity with tariff adjustment*		
Photovoltaic Power Business	2,884,919	2,636,495
Wind Power Business	238,441	113,196
Construction services	1,948,826	3,331,450
Technical consultancy services	221,139	300,336
Entrusted operations	247,575	290,542
Provision of clean heat supply services	794,720	308,251
	<u>6,335,620</u>	<u>6,980,270</u>
Other income and gains, net		
Bank interest income	14,144	34,398
Other interest income	98,832	55,510
Government grants	135,619	148,307
Gains on bargain purchase of subsidiaries (<i>note 16</i>)	9,432	22,704
Gains on disposal of interests in subsidiaries (<i>note 17</i>)	–	69,191
Others	20,306	3,949
	<u>278,333</u>	<u>334,059</u>

* *Tariff adjustment represents subsidies from the government authorities in respect of the Group's photovoltaic and wind power businesses.*

3. PROFIT BEFORE TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of sales of electricity	1,053,192	932,984
Cost of construction services	1,679,655	2,830,597
Cost of technical consultancy services	64,758	40,260
Cost of services in relation to entrusted operations	45,371	33,113
Cost of clean heat supply services	595,889	221,068
Depreciation of property, plant and equipment	227,696	835,803
Depreciation of right-of-use assets recognised under property, plant and equipment	677,172	–
Amortisation of prepaid land lease payments	–	30,910
Amortisation of operating concessions	82,510	59,391
Amortisation of operating rights	49,019	34,340
Amortisation of other intangible assets	2,976	2,463
Foreign exchange differences, net	4,190	9,495
Loss on disposal of subsidiaries, net	1,928	–
	<u>1,928</u>	<u>–</u>

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank and other loans	498,350	286,399
Interest on a corporate bond	2,377	–
Interest on finance leases	–	762,941
Interest on lease liabilities under finance lease arrangements	827,564	–
Interest on other lease liabilities	34,819	–
	<hr/>	<hr/>
Total interest expenses	1,363,110	1,049,340
Less: Interest capitalised	(152,895)	(74,170)
	<hr/>	<hr/>
	1,210,215	975,170
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on the prevailing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions because (i) these companies are engaged in the operation of photovoltaic and wind power plants; and (ii) they have operations in certain regions of the PRC that are qualified for certain concessionary corporate income tax rates.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current – Mainland China		
Charge for the year	235,638	168,565
Underprovision in prior years	30,002	–
Deferred	(76,095)	(8,941)
	<hr/>	<hr/>
Total tax expense for the year	189,545	159,624
	<hr/> <hr/>	<hr/> <hr/>

6. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit attributable to the equity holders of the Company, adjusted for the distribution related to the perpetual capital instrument, for the years ended 31 December 2019 and 2018, and the number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts for the years is based on the profit attributable to the equity holders of the Company, adjusted for the distribution related to the perpetual capital instrument, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share amounts are based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to equity holders of the Company	682,864	1,268,645
Distribution related to the perpetual capital instrument	(75,194)	(6,461)
	<u>607,670</u>	<u>1,262,184</u>
Profit used in the basic and diluted earnings per share calculations	<u>607,670</u>	<u>1,262,184</u>
	2019	2018
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculations	63,525,397,057	63,525,397,057
Effect of dilution:		
Share options	—	18,396,405
	<u>—</u>	<u>18,396,405</u>
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculations	<u>63,525,397,057</u>	<u>63,543,793,462</u>
Basic earnings per share	<u>HK0.96 cents</u>	<u>HK1.99 cents</u>
Diluted earnings per share	<u>HK0.96 cents</u>	<u>HK1.99 cents</u>

8. CONTRACT ASSETS

	31 December 2019 HK\$'000	31 December 2018 HK\$'000	1 January 2018 HK\$'000
Tariff adjustment receivables (<i>note (a)</i>)	3,923,741	2,491,836	1,626,796
Construction contracts (<i>note (b)</i>)	1,248,392	1,693,796	1,846,926
Retention money (<i>note (b)</i>)	234,509	339,917	202,339
	5,406,642	4,525,549	3,676,061
<i>Less: Impairment</i>	(30,255)	(23,877)	(7,205)
Total	<u>5,376,387</u>	<u>4,501,672</u>	<u>3,668,856</u>

Notes:

- (a) Tariff adjustment receivables included in contract assets represented the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that are to be billed and settled upon registering into the Renewable Energy Tariff Subsidy Catalogues (the "Subsidy Catalogues"). In the opinion of the Directors, the registration procedures of the Subsidy Catalogues for the Group's photovoltaic and wind power plant projects are of administrative in nature and the Group will comply with the related procedures stipulated by the current government policy in Mainland China and all other attaching conditions, if any.
- (b) Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on construction progress. Included in contract assets for construction services are retention receivables. Upon completion of certain milestones as agreed with customers and such being accepted by them, the amounts recognised as contract assets are reclassified to trade receivables.

9. TRADE AND BILLS RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	2,574,967	1,971,260
Bills receivable	862,312	625,804
	3,437,279	2,597,064
Tariff adjustment receivables (<i>note</i>)	805,617	711,821
	4,242,896	3,308,885
<i>Less: Impairment</i>	(39,359)	(19,289)
Total	<u>4,203,537</u>	<u>3,289,596</u>

Note: Tariff adjustment receivables included in trade receivables represent the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that have been registered into the Subsidy Catalogues.

The Group's trading terms with its customers are mainly on credit, except for certain new customers where payment in advance is normally required. The Group generally allows credit periods of 30 days to 90 days to its customers, and generally accepts settlement of certain trade receivables by bank and commercial bills with maturity periods from 90 days to 180 days.

Management seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade receivables are non-interest-bearing.

The ageing analysis of the trade and bills receivables (excluding tariff adjustment receivables) as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 3 months	1,036,224	1,507,668
4 to 6 months	453,802	72,498
7 to 12 months	723,672	423,238
1 to 2 years	712,064	335,049
Over 2 years	472,158	239,322
	3,397,920	2,577,775

The ageing analysis of the tariff adjustment receivables as at the end of the reporting period, based on the revenue recognition date and net of loss allowance, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 3 months	92,167	92,353
4 to 6 months	112,637	109,797
7 to 12 months	189,227	202,600
1 to 2 years	333,549	271,911
Over 2 years	78,037	35,160
	805,617	711,821

10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 3 months	3,302,265	2,594,226
4 to 6 months	258,449	206,028
7 to 12 months	674,826	488,561
1 to 2 years	1,214,488	997,291
2 to 3 years	113,476	89,670
	<u>5,563,504</u>	<u>4,375,776</u>

The trade payables are non-interest-bearing. Trade and bills payables are normally settled on terms of 30 days to 180 days.

Included in the trade and bills payables are trade payables of HK\$13,218,000 (2018: HK\$44,084,000) due to an associate which are generally repayable within 30 to 90 days, which represents credit terms similar to those offered by the associate to their major customers.

The Group's bills payable amounting to HK\$112,169,000 (2018: HK\$331,109,000) were secured by the pledged bank deposits as at 31 December 2019.

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank and other loans:		
Secured	2,839,344	1,525,583
Unsecured	9,328,571	6,024,584
	<u>12,167,915</u>	<u>7,550,167</u>
Total bank and other borrowings	<u>12,167,915</u>	<u>7,550,167</u>
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand (<i>note (c)</i>)	3,229,625	1,508,886
In the second year	1,648,835	2,636,008
In the third to fifth years, inclusive	5,695,083	2,591,267
Beyond five years	1,594,372	814,006
	<u>12,167,915</u>	<u>7,550,167</u>
Total bank and other borrowings	<u>12,167,915</u>	<u>7,550,167</u>
Portion classified as current liabilities	<u>(3,229,625)</u>	<u>(1,508,886)</u>
Non-current portion	<u>8,938,290</u>	<u>6,041,281</u>

Notes:

- (a) Certain of the Group's bank and other loans are secured by:
- (i) guarantees given by the Company and/or its subsidiaries;
 - (ii) pledges over the trade receivables of certain subsidiaries; and/or
 - (iii) pledges over certain of the Group's property, plant and equipment.
- (b) The Group's bank and other borrowings in an aggregate amount of HK\$12,002,367,000 (2018: HK\$7,480,282,000) as at 31 December 2019 bear interest at floating rates with effective interest rates ranging from 2.88% to 5.96% (2018: 2.90% to 5.96%).
- (c) As at 31 December 2019, bank loans with an aggregate principal amount of HK\$135,000,000 (2018: HK\$350,000,000) contained on demand repayment clauses and therefore have been recognised as current liabilities, which were included in the above analysis as unsecured current interest bearing bank and other borrowings and bank and other loans repayable within one year or on demand.
- (d) Certain bank borrowing agreements of the Group include conditions imposing specific performance obligations on a substantial beneficial owner of the Company.

12. CORPORATE BOND

	2019 HK\$'000
Unsecured corporate bond, repayable:	
In the second year	<u>557,047</u>
Total corporate bond and classified as a non-current liability	<u><u>557,047</u></u>

A corporate bond with an aggregate principal amount of RMB500,000,000 was issued by the Company to certain institutional investors on 6 December 2019, bearing interest at a rate of 5.99% per annum. The corporate bond is unsecured and repayable on 6 December 2022. One year prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of the corporate bond and the bond holders shall be entitled to sell back the corporate bond to the Company. Further details of the corporate bond are set out in the Company's announcement dated 6 December 2019.

13. LEASE LIABILITIES/FINANCE LEASE PAYABLES

Lease liabilities presenting under HKFRS 16

	31 December 2019 <i>HK\$'000</i>	1 January 2019 <i>HK\$'000</i>	31 December 2018 <i>HK\$'000</i>
Lease liabilities under finance lease arrangements (notes)	14,874,875	14,692,353	–
Other lease liabilities	758,333	567,814	–
	<u>15,633,208</u>	<u>15,260,167</u>	–
Total lease liabilities	15,633,208	15,260,167	–
Portion classified as current liabilities	(2,645,344)	(1,476,139)	–
	<u>12,987,864</u>	<u>13,784,028</u>	–
Non-current portion	<u>12,987,864</u>	<u>13,784,028</u>	–

Disclosures of the lease liabilities under finance lease arrangements as at 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Lease liabilities under finance lease arrangements repayable:		
Within one year	2,606,479	–
In the second year	2,021,464	–
In the third to fifth years, inclusive	6,073,683	–
Beyond five years	4,173,249	–
	<u>14,874,875</u>	–
Total lease liabilities under finance lease arrangements	14,874,875	–
Portion classified as current liabilities	(2,606,479)	–
	<u>12,268,396</u>	–
Non-current portion	<u>12,268,396</u>	–

Finance lease payables presenting under HKAS 17

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current portion	–	1,449,862
Non-current portion	–	13,242,491
	<u>–</u>	<u>14,692,353</u>
Total finance lease payables (notes)	<u>–</u>	<u>14,692,353</u>

Disclosures of the total future minimum lease payments under the finance leases as at 31 December 2018 and their present values

	Minimum lease payments 2018 HK\$'000	Present value of minimum lease payments 2018 HK\$'000
Amounts repayable:		
Within one year	2,311,689	1,449,862
In the second year	3,590,667	2,839,356
In the third to fifth years, inclusive	7,056,078	5,622,940
Over five years	<u>5,293,293</u>	<u>4,780,195</u>
 Total minimum finance lease payments	 18,251,727	 <u><u>14,692,353</u></u>
 Future finance charges	 <u>(3,559,374)</u>	
 Total net finance lease payables	 14,692,353	
 Portion classified as current liabilities	 <u>(1,449,862)</u>	
 Non-current portion	 <u><u>13,242,491</u></u>	

Notes:

- (a) Upon adoption of HKFRS 16 on 1 January 2019, finance lease payables were reclassified as lease liabilities under finance lease arrangements. Details of the adoption of HKFRS 16 are set out in note 1.3 to this financial information.
- (b) The Group leases certain property, plant and equipment for its clean energy businesses under finance lease arrangements. The leases had remaining lease terms of 1 to 12 years as at 31 December 2019 (2018: 1 to 13 years).
- (c) Certain of the above finance lease arrangements are secured by:
 - (i) guarantees given by the Company and/or its subsidiaries;
 - (ii) pledges over the Group's leased assets;
 - (iii) pledges over the trade receivables of certain subsidiaries;
 - (iv) certain operating concessions of the Group; and/or
 - (v) pledges over the Group's equity interests in certain subsidiaries.
- (d) Certain finance lease agreements of the Group include conditions imposing specific performance obligations on a substantial beneficial owner of the Company.

14. SHARE CAPITAL

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Authorised:		
Ordinary shares: 466,637,115,100 shares of HK\$0.001 each	<u>466,637</u>	<u>466,637</u>
Convertible preference shares: 33,362,884,900 shares of HK\$0.001 each	<u>33,363</u>	<u>33,363</u>
	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares: 63,525,397,057 shares of HK\$0.001 each	<u>63,525</u>	<u>63,525</u>

15. PERPETUAL CAPITAL INSTRUMENT

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At beginning of the year	1,137,776	–
Issued during the year	–	1,131,315
Share of profit for the year	75,194	6,461
Distribution for the year	<u>(73,864)</u>	<u>–</u>
At end of the year	<u>1,139,106</u>	<u>1,137,776</u>

During the year ended 31 December 2018, the Company issued a perpetual capital instrument (the “Perpetual Capital Instrument”) with an aggregate principal amount of RMB1,000,000,000 (equivalent to HK\$1,190,476,000). Net proceeds after deducting issue expenses amounted to RMB997,000,000 (equivalent to HK\$1,131,315,000).

The Perpetual Capital Instrument confers the holders a right to receive distributions at the applicable distribution rate of 6.5% per annum, payable annually on 27 November. The distribution rate is subject to review in accordance with the terms thereof at each of the third anniversary from the date of issuance of the Perpetual Capital Instrument. The Company may, at its sole discretion, elect to defer a distribution. In the event when the Company elects to defer a distribution, the Company shall not declare or pay any dividends or reduce its share capital until the distribution deferred is fully settled. The Perpetual Capital Instrument may be redeemed at the option of the Company in whole but not in part, subject to certain conditions under the terms of the Perpetual Capital Instrument. The Perpetual Capital Instrument has no maturity and is classified as an equity instrument.

During the year ended 31 December 2019, distributions of RMB65,000,000 (approximately HK\$73,864,000) (2018: Nil) was declared and paid to the holders of the Perpetual Capital Instrument.

16. BUSINESS COMBINATIONS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net assets acquired	67,618	1,624,988
Provisional goodwill	5,422	187,991
Gains on bargain purchase (<i>note 2</i>)	<u>(9,432)</u>	<u>(22,704)</u>
	<u>63,608</u>	<u>1,790,275</u>

During the year ended 31 December 2019, the Group acquired a number of companies engaging in the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business (2018: the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business) from certain independent vendors and recorded goodwill of HK\$5,422,000 (2018: HK\$187,991,000) and gains on bargain purchase of HK\$9,432,000 (2018: HK\$22,704,000). Details of the material acquisitions for the year ended 31 December 2018 are as follows:

- (i) In May 2018, the Group completed the acquisition of 100% equity interest in 響水恆能太陽能發電有限公司 (Xiangshui Hengneng Photovoltaic Power Co. Ltd.*) from an independent vendor for a consideration of RMB378,875,000 (equivalent to HK\$451,042,000), which is principally engaged in the operation of a photovoltaic power plant located in Jiangsu Province, the PRC;
- (ii) In August 2018, the Group completed the acquisition of 65% equity interests in 金杰新能源股份有限公司 (Jin Jie New Energy Co. Ltd.*) and its wholly-owned subsidiary from independent third parties for a cash consideration of RMB219,792,000 (equivalent to HK\$261,657,000), which are principally engaged in the operations of certain wind power plants located in Baotou City, the Inner Mongolia Autonomous Region, the PRC; and
- (iii) In September 2018, the Group completed the acquisition of 100% equity interest 文水縣炬能供熱有限公司 (Wenshuixian Juneng Heat Supply Ltd.*) from an independent third party for a cash consideration of RMB98,490,000 (equivalent to HK\$117,252,000), which is principally engaged in the operation of a clean heat supply facility under a service concession arrangement located in Wenshui County, Lvliang City, Shanxi Province, the PRC.

17. DISPOSAL OF SUBSIDIARIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net assets disposed of	50,925	870,817
Exchange fluctuation reserve realised	3,080	(17,767)
Elimination of unrealised gains on disposal of subsidiaries	–	61,803
Gains/(loss) on disposal of interests in subsidiaries (<i>notes 2 and 3</i>)	<u>(1,928)</u>	<u>69,191</u>
Total consideration – Satisfied by cash	<u>52,077</u>	<u>984,044</u>

Details of the material disposals during the year ended 31 December 2018 are as follows:

- (i) Pursuant to an agreement entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser) dated 10 January 2018, the Cigarette Packaging Business was disposed of by the Company to Ms. Huang Li for a consideration of HK\$258,868,000. The disposal was completed on 17 January 2018. Further details of the disposal are set out in the Company's announcement dated 10 January 2018; and

- (ii) On 5 December 2018, the Company, 北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*), 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*, “**Tianjin Clean Energy**”) (as the vendor), 華潤北控(汕頭)新能源產業基金合夥企業(有限合夥)(CR BE (Shantou) New Energy Industrial Fund Partnership Corporation (Limited Partnership)*, “**CRBE Fund**”), 漢威潤能股權投資(汕頭)有限公司 (Hanwei Runneng Equity Investment (Shantou) Company Limited*, collectively with CRBE Fund, the “**YSJA Purchasers**”) and 穎上聚安光伏發電有限公司 (Yingshang Juan PV Power Generation Co., Ltd.*, “**YSJA**”) entered into an agreement, pursuant to which Tianjin Clean Energy agreed to dispose of the entire equity interest in YSJA to the YSJA Purchasers for a consideration of RMB609,148,000 (equivalent to HK\$725,176,000). YSJA holds a 60MW photovoltaic power plant in Fuyang City (阜陽市), Anhui Province, the PRC. The equity transfer was completed in December 2018 and YSJA became a joint venture of the Group. Further details of the disposal are set out in the Company’s announcement dated 5 December 2018.

18. EVENT AFTER THE REPORTING PERIOD

Set out below are details of the significant event after the Group’s reporting period:

On 22 January 2020, 北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Co., Ltd.*, “**BCEI**”), an indirect non-wholly owned subsidiary of the Company, entered into a partnership agreement in respect of the formation of the limited partnership in the PRC (the “**Limited Partnership**”) with 西藏禹澤投資管理有限公司 (Tibet Yuze Investment Management Co., Limited*, “**Partner A**”) and 江蘇江南水務股份有限公司 (Jiangsu Jiangnan Water Co., Ltd.*, “**Partner B**”). The total maximum capital contribution of the Limited Partnership is RMB400,100,000. The maximum capital contribution by Partner A, Partner B and BCEI will be RMB100,000, RMB200,000,000 and RMB200,000,000, respectively. The Limited Partnership will be set up for the investment, development and operation of clean energy projects and environmental protection projects. Further details are set out in the Company’s announcement dated 22 January 2020.

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year’s presentation and accounting treatments.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

During the year ended 31 December 2019, the Group was principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the “**Photovoltaic Power Business**”), wind power businesses (the “**Wind Power Business**”) and clean heat supply businesses (the “**Clean Heat Supply Business**”) in the PRC.

Financial highlights:

	2019	2018	Change
	HK\$'000	HK\$'000	%
Revenue	6,335,620	6,980,270	(9)
Gross profit	2,896,755	2,922,248	(1)
Gross profit ratio (in percentage)	45.7	41.9	3.8
Profit for the year	842,086	1,377,956	(39)
Profit attributable to the equity holders of the Company	682,864	1,268,645	(46)
Basic EPS (<i>in HK cents</i>)	0.96	1.99	(52)
EBITDA	3,281,219	3,475,657	(6)
Total assets	52,192,282	43,408,150	20
Equity	11,005,769	10,875,407	1
Cash and cash equivalents	3,698,835	2,768,362	34

Since 2018, the Group has been focusing on the development of businesses with higher gross profit ratio and stronger sustainability (such as sales of electricity and clean heat supply), improving the quality of existing projects, implementing cost reduction and efficiency enhancement and reducing the proportion of its construction services business which has a lower gross profit ratio. The Group recorded revenue of HK\$6,335.6 million, representing a decrease of 9% as compared to the corresponding period of last year, while gross profit margin increased from 41.9% to 45.7% as compared to the corresponding period of last year, and total gross profit was comparable to the corresponding period of last year.

Profit for the year of the Group was approximately HK\$842.1 million (2018: approximately HK\$1,378.0 million), representing a decrease of approximately 39% as compared to the corresponding period of last year. Profit attributable to the equity holders of the Company was HK\$682.9 million, representing a decrease of 46% as compared to the corresponding period of last year. Such decrease was primarily attributable to the combined effect of (i) the increase in finance costs attributable to the increases in average total balances of bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables for the year as compared to the corresponding period of last year; (ii) one-off impairments of property, plant and equipment and investments in associates; and (iii) the decrease in administrative expenses as a result of implementing cost reduction and efficiency enhancement by the Group during the year.

Further details of the discussion of financial performance are set out in the section headed “2. Financial Performance” in “Management Discussion and Analysis”. Analysis of the business performance is set out below.

1.1 Sale of Electricity and Entrusted Operations

During the year, the Group steadily expanded its operating capacity through the investment, development, construction, operation and management of power plant projects, and the aggregate revenue in respect of the sale of electricity and the provision of entrusted management services amounted to approximately HK\$3,370.9 million (2018: approximately HK\$3,040.2 million), representing an increase of 11% as compared to the corresponding period of last year. The aggregate electricity sales volume in respect of the Group’s sale of electricity during the year was approximately 3.70 million megawatt-hour (“MWh”) (2018: approximately 2.89 million MWh), representing an increase of 28% as compared to the corresponding period of last year.

Pursuant to the “Several Opinions on Facilitating the Healthy Development of Non-hydro Renewable Power Generation*” (《關於促進非水可再生能源發電健康發展的若干意見》) and “Administrative Measures for the Additional Subsidies for Renewable Energy Electricity Prices*” (《可再生能源電價附加補助資金管理辦法》) jointly announced by the Ministry of Finance, the National Development and Reform Commission of the PRC (the “NDRC”) and the National Energy Administration in January 2020, and the “Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*” (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance in March 2020, the conditions and application procedures for entering the list of this batch of national financial subsidy for the renewable energy power generation projects were clarified. Based on the Group’s understanding and preliminary estimation, the capacity of the Group that may meet the application requirements of the subsidy list is over 2,000 megawatt (“MW”). The promulgation shows that the government is doing its best to solve the problem of arrears in subsidies for renewable energy power generation, which is beneficial to the betterment of the Group’s cash flow. The Group will closely follow up and implement this batch project inventory declaration and national subsidies related work, and prepare for the declaration of the next batch of list projects in advance, will proactively promote the implementation of relevant strategies to improve the receipt of national subsidies.

1.1.1 Photovoltaic Power Plant Projects

(a) Scale and performance of the centralised photovoltaic power plant projects

During the year, the Group's centralised photovoltaic power business developed steadily through acquisition of businesses from independent third parties and self development and construction of photovoltaic power plants. The Group recorded revenue of approximately HK\$2,494.9 million (2018: approximately HK\$2,346.9 million) from the sale of electricity from the Group's centralised photovoltaic power plants, representing 39% (2018: 34%) of the Group's total revenue during the year.

As at 31 December 2019, 52 (2018: 51) centralised photovoltaic power plants covering 12 provinces, 1 municipality and 2 autonomous regions in the PRC and 1 (2018: 1) centralised photovoltaic power plant in Whyalla, Southern Australia, Australia were held by the Group and in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 2,256MW (2018: 2,074MW), which is analysed below:

Location	Photovoltaic resource area	2019			2018		
		Number of Plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)	Number of Plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)
PRC – Subsidiaries:							
Hebei Province	II/III	16	469	599,942	16	409	469,416
Henan Province	III	3	264	337,449	3	264	343,367
Shandong Province	III	5	248	328,022	5	247	303,513
Jiangsu Province	III	3	220	204,876	3	129	106,171
Guizhou Province	III	4	211	223,659	4	211	173,750
Anhui Province	III	6	191	214,451	6	191	191,760
Shaanxi Province	II	2	160	245,573	2	160	235,501
Jiangxi Province	III	3	125	133,046	3	125	136,890
Ningxia Hui Autonomous Region	I	1	100	143,417	1	100	136,138
Hubei Province	III	2	43	45,214	2	43	45,753
Jilin Province	II	1	30	49,629	1	30	47,693
Tibet Autonomous Region	III	1	30	41,184	1	30	26,280
Tianjin Municipality	II	1	30	46,628	–	–	–
Yunnan Province	II	1	22	32,962	1	22	32,639
Shanxi Province	III	1	20	28,359	1	20	29,557
		50	2,163	2,674,411	49	1,981	2,278,428
PRC – Joint ventures:							
Hubei Province	III	1	27	26,542	1	27	29,299
Anhui Province	III	1	60	78,719	1	60	78,139
		2	87	105,261	2	87	107,438
PRC – Sub-total		52	2,250	2,779,672	51	2,068	2,385,866
Overseas – Subsidiary:							
Whyalla, Southern Australia, Australia	N/A	1	6	9,475	1	6	4,342
Total		53	2,256	2,789,147	52	2,074	2,390,208

Most of the Group's projects in the PRC were situated in photovoltaic resource areas II and III as promulgated by the NDRC, locations considered by the management to be favourable for the development of the Group's Photovoltaic Power Business. Set out below the projects analysis by photovoltaic resource areas:

Photovoltaic resource area	2019			2018		
	Number of plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)	Number of Plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)
PRC – Subsidiaries:						
I	1	100	143,417	1	100	136,138
II	12	448	676,608	11	397	535,065
III	37	1,615	1,854,386	37	1,484	1,607,225
	50	2,163	2,674,411	49	1,981	2,278,428
PRC – Joint ventures:						
III	2	87	105,261	2	87	107,438
Total	52	2,250	2,779,672	51	2,068	2,385,866

Note 1: It represented the approximate electricity sales volume of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above electricity sales volume does not reflect a full year performance of these operations.

Note 2: During the year ended 31 December 2019, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects located in the PRC was approximately RMB0.83.

(b) Scale of the centralised photovoltaic power plant projects registered in the Subsidy Catalogues

As at 31 December 2019, the Group's aggregate installed capacity of the photovoltaic power plants registered into the Renewable Energy Tariff Subsidy Catalogues (the “**Subsidy Catalogues**”) reached approximately 434MW. Among which, an aggregate installed capacity of 407MW was held by the Group's subsidiaries and an installed capacity of 27MW was held by a joint venture of the Group. The Group will continue its effort on registering the remaining photovoltaic power plant projects into the Subsidy Catalogues once upcoming Subsidy Catalogues are available for application.

(c) *Key performance data of the centralised photovoltaic power plant projects held by the Group and in operation on or before the beginning of the reporting period*

	2019	2018	Changes
Weighted average curtailment ratio (%)	1.69	2.76	(1.07)
Weighted average utilisation hours (hours)	1,295	1,278	17

During the year ended 31 December 2019, the national average curtailment ratio of photovoltaic power in the PRC was 2% and national average utilisation hours of photovoltaic power in the PRC were 1,169 hours. The Group's centralised photovoltaic power plant projects are mainly located in photovoltaic resource areas II and III as promulgated by the NDRC and therefore a relatively low weighted average curtailment ratio was achieved. The further improvement of weighted average curtailment ratio during the year as compared to the corresponding period of last year was mainly attributable to the improvement of curtailment ratio of the projects located in Shaanxi Province and the Tibet Autonomous Region.

(d) *Scale and performance of the distributed photovoltaic power plant projects*

In respect of the distributed photovoltaic power business, as at 31 December 2019, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation achieved over 600MW, mainly located in resource area III as promulgated by the NDRC such as Henan Province, Anhui Province, Shandong Province, Jiangsu Province and Hebei Province, which included the distributed photovoltaic power stations constructed by the Group in certain water plants of Beijing Enterprises Water Group Limited of which the Group sold electricity to respective water plants. Revenue from the sale of electricity from the Group's distributed photovoltaic power plants reached approximately HK\$390.0 million during the year (2018: approximately HK\$289.6 million).

(e) *Entrusted management services*

In addition to the above-mentioned sale of electricity from the Group's photovoltaic power plants, the Group provided entrusted management services for photovoltaic power plant projects in the PRC and revenue of approximately HK\$168.6 million (2018: approximately HK\$185.6 million) was recognised during the year.

1.1.2 Wind Power Plant Projects

The improvements of technology, investment cost and curtailment issues enhance the overall competitiveness of the wind power to the traditional power sources, giving rise to new business opportunities and healthier market environment in the wind power industry. With the Group's expertise on, among others, investing, developing and managing wind and other power businesses, the Group is optimistic on expanding its Wind Power Business to contribute its effort in building up a green future of the PRC.

(a) Scale and performance of the wind power plant projects

During the year, the Group's Wind Power Business expanded steadily. The Group recorded revenue of approximately HK\$238.4 million (2018: approximately HK\$113.2 million) from the sale of electricity from the Group's wind power plants.

As at 31 December 2019, through self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and approved-to-construct wind power projects reached over 1,400MW. These projects mainly located in Hebei Province, Henan Province, Shandong Province and the Inner Mongolia Autonomous Region and mainly situated in resource area IV as promulgated by the NDRC. Among which, 7 projects (2018: 4 projects) with an aggregate on-grid capacity of 190MW (2018: 117MW) were held by the Group and in operation as at 31 December 2019, which is analysed below:

Location	Wind resource area	2019		2018			
		Number of plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)	Number of Plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)
PRC – Subsidiaries:							
The Inner Mongolia Autonomous Region							
	I	4	119	333,423	3	69	87,630
	IV	1	48	105,866	1	48	109,928
	IV	2	23	19,830	–	–	–
Total		7	190	459,119	4	117	197,558

Note 1: It represented the approximate electricity sales volume of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above electricity sales volume does not reflect a full year performance of these operations.

(b) *Scale of the wind power plant projects registered in the Subsidy Catalogues*

As at 31 December 2019, the Group's aggregate installed capacity of the wind power plants registered into the Subsidy Catalogues reached 88MW. The Group will continue its effort on registering the remaining wind power plant projects into the Subsidy Catalogues once upcoming Subsidy Catalogues are available for application.

(c) *Key performance data of the wind power plant projects held by the Group and in operation on or before the beginning of the reporting period*

	2019	2018	Changes
Weighted average curtailment ratio (%)	0.05	0.10	(0.05)
Weighted average utilisation hours (hours)	2,810	2,308	502

During the year, the national average curtailment ratio of wind power in the PRC was 4% and the national wind power average utilisation hours in the PRC was 2,082 hours. The Group's wind power plant projects are mainly located in regions with no curtailment issues in general. The improvement of weighted average utilisation hours during the year as compared to the corresponding period of last year was mainly attributable to the high level of utilisation hours for projects in the Inner Mongolia Autonomous Region.

(d) *Entrusted management services*

In addition to the above-mentioned sale of electricity from the Group's wind power plants, the Group provided entrusted management services for wind power plant projects in the PRC and revenue of approximately HK\$79.0 million (2018: HK\$104.9 million) was recognised during the year.

1.2 Engineering, Procurement and Construction Services, and Technical Consultancy Services

The Group is engaged in the provision of engineering, procurement and construction services for clean energy businesses including photovoltaic and wind power-related projects and clean heat supply projects in the PRC, and has couples of qualification and extensive experience in the design, engineering and construction of power-related projects. Since 2018, the Group has been focusing on the development of businesses with higher gross profit ratio and stronger sustainability (such as sales of electricity and clean heat supply), improving the quality of existing projects, implementing cost reduction and efficiency enhancement and reducing the proportion of its construction services business which has a lower gross profit ratio. Revenue of approximately HK\$1,863.0 million (2018: approximately HK\$3,085.4 million) in aggregate arising from provision of engineering, procurement and construction services was recognised during the year, representing 29% (2018: 44%) of the Group's total revenue during the year and a decrease of 40% as compared to the corresponding period of last year.

In addition to the above, certain photovoltaic power plant and clean heat supply projects on a build-operate-transfer basis (the “**BOT Basis**”) were under construction during the year. With reference to HK (IFRIC) Interpretation 12 *Service Concession Arrangements*, construction revenue of approximately HK\$85.9 million (2018: approximately HK\$246.1 million) was recognised during the year with reference to the fair value of construction services delivered during the construction phase. The fair value of such services is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of the relevant service concession agreements. The decrease in construction revenue on a BOT Basis was attributable to the completion of the construction of a centralised photovoltaic project on a BOT Basis located in Shandong Province, the PRC during the year.

In respect of the technical consultancy services, the Group successfully marketed the aforementioned qualification and experience to other industry participants. Revenue of approximately HK\$221.1 million (2018: approximately HK\$300.3 million) was recognised during the year.

1.3 Provision of Clean Heat Supply Services

Clean heat supply represents the production of low emission heat through the utilisation of clean energies such as natural gas, electricity, geothermal energy, biomass energy, photovoltaic power, industrial excess heat energy, clean coal (ultra-low emission) energy, river water source etc., and the supply of such heat to end users. With various supportive government policies issued including but not limited to the issuance of “the Notice on the Winter Clean Heat Plan (2017 to 2021) of the Northern China*” (《關於印發北方地區冬季清潔取暖規劃(2017-2021年)的通知》) jointly by ten government authorities in December 2017 and the “Notice on the Budget for Air Pollution Prevention and Control in 2019*” (《關於下達2019年度大氣污染防治資金預算的通知》) by the Ministry of Finance in June 2019, the Clean Heat Supply Business shall have a favourable business prospects.

As at 31 December 2019, through development and business acquisition, 17 projects in operation with an aggregate actual clean heat supply area of reached 27 million square meters locating in Henan, Hebei, Shanxi, Shaanxi, the Ningxia Hui Autonomous Region, Liaoning, Shandong, Jiangsu and other provinces were held and/or managed by the Group. Revenue of approximately HK\$794.7 million (2018: approximately HK\$308.3 million) arising from the provision of clean heat supply services was recognised by the Group during the year, representing an increase of approximately 158% as compared to the corresponding period of last year.

1.4 Other Clean Energy Businesses

The Group has been exploring other clean energy businesses such as multi-energy complement, hydropower, energy storage, distribution and sales of electricity and other business lines, and exploring international opportunities for strategic development and diversification, with an aim to become a leading integrated clean energy service provider.

1.4.1 Hydropower Business

The Group aggressively explored other clean energy segments, and expanded into the hydropower industry by capitalising on the opportunity to develop Qinghai Ma'er block hydropower generation project. Hydropower generation enjoys a number of advantages which other clean energy such as photovoltaic power generation and wind power generation do not possess, such as more utilisation hours, stronger stability, adjustable peaks and better cash flow, which makes it a grid-friendly power source. As at 31 December 2019, the Group had a reserve of hydropower projects (including pumped storage) of more than 6 gigawatt. As a new strategic business of the Group, the hydropower business is coordinated with other segments of the Group. Relying on hydropower, the Group may establish energy bases which integrate the storage and transmission of wind power, photovoltaic power and hydropower, and carry out multiple operations such as tourism and breeding, which will deliver greater scale advantages and operating benefits. It is integral to the development of the Group's clean energy businesses, and will contribute stable income and optimise the Group's clean energy power station asset portfolio in the future.

During the year, the Group targeted to develop the hydropower business by way of acquisition. Further details of the acquisition are set out in note (a) under the section headed "Significant investments, material acquisition and disposal of subsidiaries and associated companies".

1.4.2 Energy Storage Business

Energy storage is an important component and a key supporting technology for smart grid, energy systems with high proportion level of renewable energy and "internet plus" smart energy, which offers peak shaving, frequency modulation, back-up and demand-supply response support and other services for the grid operation, and is an important mean to enhance the flexibility, cost-effectiveness and safety of the traditional power system. At the same time, energy storage can significantly enhance the consumption level of renewable energy such as photovoltaic and wind power and support distributed power and micro-grid, and is a key technology to facilitate the clean energy power replacement. Also, energy storage can promote multi-energy complement and the opening and sharing, and the trading flexibility of energy production and consumption, and is a core foundation for constructing energy internet, advancing power system reform and facilitating the development of new energy business models, and there is a broad development prospect.

The Group paid persistent effort on energy storage technology and development, and its performance is consistently recognised by the industry. Further to the awards received in 2018 as disclosed in the Company's annual report for the year ended 31 December 2018, the Group received the below awards during the year:

Organisers	Events	Awards
The committee of China International Energy Storage Conference* and China Energy Storage Web* (中國國際儲能大會組委會及中國儲能網)	China International Energy Storage Conference* (中國國際儲能大會)	2019 China Energy Storage Industry Best Integrated Energy Service Providers Award* (2019年度中國儲能產業最佳綜合能源服務商獎) 2019 China Energy Storage Industry Best Design Institutions Award* (2019年度中國儲能產業最佳設計院獎) 2019 China Energy Storage Industry Most Influential Enterprises Award* (2019年度中國儲能產業最具影響力企業獎)
The committee of Energy Storage International Conference* (儲能國際峰會組委會)	2019 Energy Storage International Conference and Expo* (儲能國際峰會暨展覽會2019)	Top 10 Energy Storage Project Operators of 2019* (2019年度中國十大儲能項目運營商)
International Energy Storage Alliance* and China Energy Storage Alliance* (國際儲能技術與產業聯盟及中關村儲能產業技術聯盟)	The 3rd International Energy Storage Innovation Competition* (第三屆國際儲能創新大賽)	2019 Energy Storage Young Enterprise Award* (2019年度儲能新銳企業獎)

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

The Group recorded revenue of approximately HK\$6,335.6 million (2018: approximately HK\$6,980.3 million) during the year ended 31 December 2019, representing a decrease of 9% as compared to the corresponding period of last year. Since 2018, the Group has been focusing on the development of businesses with higher gross profit ratio and stronger sustainability (such as sales of electricity and clean heat supply), improving the quality of existing projects and reducing the focus on construction services business which has a lower gross profit ratio. Accordingly, (i) revenue from the sale of electricity and entrusted management services reached approximately HK\$3,370.9 million (2018: approximately HK\$3,040.2 million) in aggregate, representing an increase of 11% as compared to the corresponding period of last year; and (ii) construction services revenue was approximately HK\$1,948.9 million (2018: approximately HK\$3,331.5 million), representing a decrease of 42% as compared to the corresponding period of last year.

The gross profit performance by each business nature is set out below:

	2019			2018		
	Revenue (HK\$ million)	Gross profit ratio (%)	Gross profit (HK\$ million)	Revenue (HK\$ million)	Gross profit ratio (%)	Gross profit (HK\$ million)
Sale of electricity						
Photovoltaic Power Business	2,884.9	66.2	1,910.9	2,636.5	66.3	1,747.7
Wind Power Business	238.4	66.8	159.2	113.2	61.0	69.1
Construction services	1,948.9	13.8	269.3	3,331.5	15.0	500.9
Technical consultancy services	221.1	70.7	156.3	300.3	86.6	260.0
Entrusted operations	247.6	81.7	202.2	290.5	88.6	257.4
Provision of clean heat supply services	794.7	25.0	198.8	308.3	28.3	87.1
Total	6,335.6	45.7	2,896.7	6,980.3	41.9	2,922.2

Analysis of the above businesses are set out in the section headed “1. Business Review” in “Management Discussion and Analysis”.

Gross profit for the sale of electricity increased from approximately HK\$1,816.8 million for the year ended 31 December 2018 to approximately HK\$2,070.1 million during the year ended 31 December 2019, representing 71% (2018: 62%) to the total gross profit of the Group. The increase in contribution of sale of electricity to the Group’s total gross profit was mainly attributable to the steady development of the Group’s operating capacity of the photovoltaic and wind power plant projects. On the other hand, contribution of construction services to the Group’s total gross profit was 9% (2018: 17%) during the year. As a result of the change in revenue structure, overall gross profit percentage increased from 41.9% during the year ended 31 December 2018 to 45.7% during the year ended 31 December 2019.

2.2 Other income and gains, net

The Group's other income and gains, net achieved approximately HK\$278.3 million (2018: approximately HK\$334.1 million) during the year, which mainly comprised (i) interest income of approximately HK\$113.0 million (2018: approximately HK\$89.9 million); (ii) government grants of approximately HK\$135.6 million (2018: approximately HK\$148.3 million); and (iii) gains on bargain purchase of subsidiaries of approximately HK\$9.4 million (2018: HK\$22.7 million).

2.3 Administrative expenses

The decrease in administrative expenses to approximately HK\$557.6 million (2018: approximately HK\$664.3 million) was mainly attributable to decreases in rental expenses, business travelling expenses and staff costs as a result of implementing cost reduction and efficiency enhancement by the Group.

2.4 Other operating expenses, net

It mainly represented (i) loss allowances of financial assets of approximately HK\$107.2 million in aggregate, including loss allowance of (a) contract assets and trade and bills receivables of approximately HK\$27.2 million (2018: approximately HK\$25.7 million); and (b) deposits and other receivables of approximately HK\$80.0 million (2018: approximately HK\$10.1 million) were recognised for the year ended 31 December 2019; (ii) one-off impairments of property, plant and equipment and investments in associates of approximately HK\$93.7 million and HK\$51.9 million, respectively; and (iii) provisions of litigation of approximately HK\$25.3 million in respect of the outstanding legal proceedings based on advices obtained from the legal counsel.

2.5 Finance costs

The increase in finance costs of the Group by approximately HK\$235.0 million to approximately HK\$1,210.2 million (2018: approximately HK\$975.2 million) was mainly attributable to the increase in the average balances of bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables of the Group as compared to the corresponding period of last year.

2.6 Income tax expense

The Group conducted its principal activities in the PRC and the relevant standard corporate income tax rate was 25%. The Group's effective tax rate was lower than the standard corporate income tax rate in the PRC as certain of the Group's operating subsidiaries enjoyed tax concession benefits during the corresponding years.

2.7 Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of clean energy projects held by the Group and in operation or under construction, and the increase was mainly attributable to (i) the acquisition and development of clean energy projects; and (ii) the adoption of HKFRS 16 whereby prepaid land lease payments and prepayments made for leases are reclassified under this category during the year.

2.8 Investment properties

The Group's investment properties mainly represented the fair value of an office in Hong Kong and were leased to an independent third party during the year.

2.9 Prepaid land lease payments

The decrease was attributable to the adoption of HKFRS 16 as detailed in note 1.3 of the financial information.

2.10 Goodwill

It was attributable to the acquisition of subsidiaries since 2016.

2.11 Operating concessions and operating rights

Operating concessions represented the rights to operate certain photovoltaic power plant and clean heat supply projects under the BOT Basis, and operating rights represented the operating rights arising from the acquisition of clean energy businesses with reference to HKFRS 3 (Revised) *Business Combinations*. The increase in operating concessions was mainly attributable to the construction of certain clean energy projects on a BOT Basis, and the decrease in operating rights was mainly attributable to the amortisation provided for during the year.

2.12 Investments in joint ventures

It mainly represented the capital contributions made by the Group to the limited partnerships established in the PRC and joint ventures established for conducting the clean energy businesses and the decrease was mainly attributable to the share of loss of joint ventures during the year.

2.13 Investments in associates

It represented (i) the Group's investment in 四川金宇汽車城(集團)股份有限公司 (Sichuan Jinyu Automobile City (Group) Co., Ltd.*) ("Sichuan Jinyu", a company established in the PRC and shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ.000803)), an associate owned as to 23.82% by the Group and was principally engaged in the provision of energy performance contracting service; and (ii) the Group's investment in 北控城投控股集團有限公司 (Beijing Enterprises City Investment Holdings Group Co., Ltd*), an associate own as to 15% by the Group and was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC.

2.14 Other non-current assets

It represented materials and equipment sold and delivered to independent third parties for the development of photovoltaic and wind power plant projects.

2.15 Contract assets

Contract assets as at 31 December 2019 of approximately HK\$5,376.2 million (2018: approximately HK\$4,501.7 million) represented (i) gross receivables of approximately HK\$1,482.9 million (2018: approximately HK\$2,033.8 million) mainly arising from the provision of engineering, procurement and construction services for clean energy projects; (ii) gross receivables of approximately HK\$3,923.6 million (2018: approximately HK\$2,491.8 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that will be billed and settled upon registering into the Subsidy Catalogues; and (iii) loss allowances of contract assets of approximately HK\$30.3 million (2018: approximately HK\$23.9 million). The increase in contract assets was mainly attributable to the increase in gross receivables of the central government renewable energy subsidy arising from the sale of electricity during the year.

2.16 Trade and bills receivables

Trade and bills receivables of approximately HK\$4,203.5 million (2018: approximately HK\$3,289.6 million) as at 31 December 2019 were mainly comprised (i) gross receivables from the sale of electricity of the Photovoltaic Power Business and the Wind Power Business of approximately HK\$1,260.7 million (2018: approximately HK\$941.1 million); (ii) gross receivables from the provision of engineering, procurement and construction services for clean energy businesses of approximately HK\$2,307.6 million (2018: approximately HK\$2,087.2 million); and (iii) loss allowances of trade and bills receivables of approximately HK\$39.4 million (2018: approximately HK\$19.3 million).

As at 31 December 2019, gross trade receivables for the sale of electricity of the Photovoltaic Power Business and the Wind Power Business mainly comprised (i) receivables of approximately HK\$345.3 million (2018: approximately HK\$149.9 million) from the sale of electricity mainly to State Grid Corporation, a state-owned enterprise principally engaged in the development and operation of nationwide power network; and (ii) receivables of approximately HK\$805.6 million (2018: approximately HK\$711.8 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that have been registered into the Subsidy Catalogues.

2.17 Prepayments, deposits and other receivables, and other tax recoverables

The increase in prepayments, deposits and other receivables and other tax recoverables by approximately HK\$2,380.7 million in aggregate (non-current portion and current portion increased by approximately HK\$1,602.8 million and approximately HK\$777.9 million in aggregate respectively) to approximately HK\$10,341.7 million (2018: approximately HK\$7,961.0 million) in aggregate was mainly attributable to the increases in prepayments, deposits and other receivables for the acquisition and development of clean energy projects and input value-added-tax recoverables arising from the acquisition and development of photovoltaic and wind power plants.

2.18 Cash and cash equivalents

The increase in cash and cash equivalents by approximately HK\$930.4 million to approximately HK\$3,698.8 million (2018: approximately HK\$2,768.4 million) was mainly attributable to net effect of (i) net increase in the corporate bond, bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables; (ii) cash outflow on developing, acquiring and operating clean energy projects; and (iii) receipts of trade and bills receivables during the year.

2.19 Trade and bills payables

Trade and bills payables of approximately HK\$5,563.5 million (2018: approximately HK\$4,375.8 million) mainly represented trade and bills payables in relation to the provision of engineering, procurement and construction services for the development of clean energy projects.

2.20 Other payables and accruals

Other payables and accruals of approximately HK\$5,107.6 million (2018: approximately HK\$5,101.1 million) increased by approximately HK\$6.5 million, which was mainly due to the net effect of (i) increase in construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) settlement of the construction and equipment payable of projects acquired or under development by the Group during the year.

2.21 Other non-current liabilities

Other non-current liabilities comprised (a) deferred income of approximately HK\$741.1 million (2018: approximately HK\$102.0 million) arising from the materials and equipment sold and delivered to independent third parties for the development of photovoltaic and wind power plant projects; and (b) a financial liability of approximately HK\$671.1 million (2018: Nil) arising from an option granted to the Ping An Entities (as hereinafter defined under the section headed “2.24 Liquidity and financial resources – (d) Capital contribution” in “Management Discussion and Analysis”. Further details of the option are set out in the Company’s announcement dated 27 December 2019.

2.22 Interest-bearing bank and other borrowings, corporate bond and lease liabilities under finance lease arrangements/finance lease payables

Interest-bearing bank and other borrowings, corporate bond and lease liabilities under finance lease arrangements/finance lease payables of approximately HK\$27,599.8 million (2018: approximately HK\$22,242.5 million) in aggregate increased by approximately HK\$5,357.3 million in aggregate (non-current portion and current portion increased by approximately HK\$2,480.0 million in aggregate and approximately HK\$2,877.3 million in aggregate respectively), which was mainly attributable to the drawdown of bank and other borrowings, corporate bond and lease liabilities under finance lease arrangements/finance lease payables for the development of the clean energy businesses.

2.23 Capital expenditures

During the year ended 31 December 2019, the Group’s total capital expenditures amounted to approximately HK\$4,077.4 million (2018: approximately HK\$8,040.3 million), comprising (i) development of photovoltaic and wind power plant projects, clean heat supply projects, and other property, plant and equipment of approximately HK\$3,423.1 million (2018: approximately HK\$3,311.4 million) in aggregate; (ii) no addition to prepaid land lease payments (2018: approximately HK\$30.0 million); (iii) acquisition of other intangible assets of approximately HK\$1.5 million (2018: approximately HK\$13.5 million); and (iv) investments in and acquisition of equity interests in subsidiaries, joint ventures and associates of approximately HK\$652.8 million (2018: approximately HK\$4,685.4 million).

2.24 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”). Surplus cash is generally placed in short-term deposits denominated in HK\$ and RMB.

As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately HK\$3,719.6 million (2018: approximately HK\$2,768.4 million).

Developments of the clean energy businesses require material initial capital investments and the Group funds such developments during the year mainly by (i) long-term bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables; (ii) perpetual capital instrument; (iii) corporate bond; and (iv) capital contribution as illustrated below.

(a) Long-term bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables

As at 31 December 2019, the Group's total borrowings of approximately HK\$27,599.8 million (2018: approximately HK\$22,242.5 million) comprised (i) bank and other borrowings of approximately HK\$12,167.9 million (2018: approximately HK\$7,550.2 million); (ii) corporate bond of approximately HK\$557.0 million (2018: Nil) and (iii) lease liabilities under finance lease arrangements/finance lease payables of approximately HK\$14,874.9 million (2018: approximately HK\$14,692.3 million). 79% (2018: 87%) of the Group's borrowings are long-term borrowings and over 99% (2018: 99%) of the Group's borrowings bear interest at floating rates.

(b) Perpetual capital instrument

On 27 November 2018, the Company issued perpetual capital instrument (the “**Perpetual Capital Instrument**”) with an aggregate principal amount of RMB1,000,000,000 (equivalent to HK\$1,190,476,000) for the purposes of repaying certain of the Group's indebtedness and the Group's general working capital. It was the first corporate green panda perpetual capital instrument issued in the PRC and the first perpetual capital instrument issued by the Group. In January 2019, the Company was awarded as one of the “Outstanding Fixed Income Product Issuers” by the Shenzhen Stock Exchange. Net proceeds after deducting issue expenses amounted to RMB997,000,000 (equivalent to HK\$1,131,315,000). There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Company subject to certain conditions. The Perpetual Capital Instrument is classified as equity instruments. During the year ended 31 December 2019, distributions of RMB65,000,000 (approximately HK\$73,864,000) (2018: Nil) was declared and paid to the holders of the Perpetual Capital Instrument.

(c) *Corporate bond*

A corporate bond (the “**Corporate Bond**”) with an aggregate principal amount of RMB500,000,000 was issued by the Company to certain institutional investors on 6 December 2019, bearing interest at a rate of 5.99% per annum, for the purposes of capital injections to the project companies and repaying certain of the Group’s indebtedness. The Corporate Bond is unsecured and repayable on 6 December 2022. One year prior to the maturity pursuant to the terms and conditions in the subscription agreement of the Corporate Bond, the Company shall be entitled to adjust the coupon rate of the Corporate Bond and the bond holders shall be entitled to sell back the Corporate Bond to the Company. Further details of the Corporate Bond are set out in the Company’s announcement dated 6 December 2019.

(d) *Capital contribution*

On 27 December 2019, the Company, Harvest Sunny International Limited (the “**Subsidiary**”) and 北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Company Limited*) (the “**Target Company**”), both being indirect wholly-owned subsidiaries of the Company, entered into a capital contribution agreement with 天津市平安消費科技投資合夥企業(有限合夥) (Tianjin Ping An Consumption Technology Investment Partnership (Limited Partnership)*), 嘉興智精投資合夥企業(有限合夥) (Jiaxing Zhijing Investment Partnership (Limited Partnership)*), 嘉興智精恒錦投資合夥企業(有限合夥) (Jiaxing Zhijing Hengjin Investment Partnership (Limited Partnership)*) and 嘉興智精恒睿投資合夥企業(有限合夥) (Jiaxing Zhijing Hengrui Investment Partnership (Limited Partnership)*), (collectively referred to as the “**Ping An Entities**”), pursuant to which the Ping An Entities agreed to subscribe for new capital in the Target Company in the aggregate amount of RMB600 million (the “**Capital Increase**”).

Upon completion of the Capital Increase, the Target Company will be held as to approximately 93.26% by the Subsidiary, and as to approximately 6.74% by the Ping An Entities. The Target Company will continue to be accounted as a subsidiary of the Company. The Capital Increase constitutes a deemed disposal by the Company of its interests in the Target Company. The Capital Increase was completed in December 2019 and the Target Company became an indirect non-wholly-owned subsidiary of the Company. Further details are set out in the Company’s announcement dated 27 December 2019.

As majority of the funding derives from equity funds from shareholders in prior years, long-term borrowings, the Perpetual Capital Instrument and the Corporate Bond, the Group recorded net current assets position of approximately HK\$1,606.4 million (2018: approximately HK\$2,075.2 million) as at 31 December 2019.

The Group obtains certain unutilised banking facilities to enable higher flexibility and stability on capital management. As at 31 December 2019, the Group had unutilised banking facilities of approximately HK\$2,429.0 million (2018: approximately HK\$925.0 million) in aggregate with terms ranging from repayable on demand to 15 years (2018: ranging from repayable on demand to 15 years).

The Group's net gearing ratio, which was calculated by dividing net debt (defined as the Corporate Bond, bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables, net of cash and cash equivalents) by the sum of net debt and total equity, was 68% (2018: 64%) as at 31 December 2019. The increase in net gearing ratio was mainly due to the net effect of (i) the issue of the Corporate Bond for the purpose of funding the development of the clean energy businesses; (ii) the increase in bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables for the purpose of funding the development of the clean energy businesses; and (iii) the profit attributable to the equity holders of the Company during the year.

FUTURE OUTLOOK

Seize the day and live it to the fullest. Since its inception, Beijing Enterprises Clean Energy has been committed to implementing the energy development strategy of “Four Revolutions and One Cooperation”, regarding “promoting the revolution in energy production and consumption and building a clean, low-carbon, safe and efficient energy system” as its mission to contribute to the construction of a community of human destiny in the global village for the benefit of all humankind and future generations. At present, the unstable development of the global economy has become a new normal. In addition, the widespread outbreak of the new coronavirus (“**COVID-19**”) across the globe in 2020 has become a daunting challenge to the whole world. In the face of the raging epidemics, the Group is confident that it will strive to fully accomplish the established operating goals while ensuring the safe, orderly and precise resumption of work. However, the Board remains cautious about the business development of the Group and will make appropriate adjustment to its development plans and business goals where necessary. All of the Group's business partners will jointly advance our clean energy businesses to a new level with firm beliefs and concerted efforts.

IMPACT OF THE COVID-19 OUTBREAK ON THE GROUP

Since late 2019, the COVID-19 broke out in Wuhan, China. As the COVID-19 rapidly spreads, it became a worldwide concern. It poses challenges across various industries as well as people's livelihoods. The Group has taken immediate action to ensure the health and safety of our employees and minimise the impact of the COVID-19 outbreak on our business operation. The Group adopted several precautionary measures to protect our workplace from the outbreak of the COVID-19 by providing clear and timely guidelines to all staffs; following up on all staff's health status, travel history and potentially infectious contacts; and providing extra sanitisation products. Also, the Group is closely communicating with the business partners to follow-up different working schedules and planning.

Due to the unexpected outbreak of the COVID-19 in 2020, almost all provinces and municipalities of the PRC have delayed the resumption of the work of employees and business operation after the Chinese New Year. This has caused a serious adverse impact on the overall market's economic performance in January and February of 2020 and thereafter. However, due to the main business models of the Group as a photovoltaic power plant and wind power plant owner and operator, its daily operation has not been affected by any sudden outbreak or disaster but by the photovoltaic irradiation level and the wind speed level. This proves once again the stability of the photovoltaic power and the wind power electricity generation businesses by the Group. The Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak during the year ended 31 December 2019 and up to the date of this announcement.

CHARGE ON THE GROUP'S ASSETS

The secured bank and other borrowings, lease liabilities under finance lease arrangements/finance lease payables and bills payables of the Group as at 31 December 2019 are secured by:

- (i) pledges over certain of the Group's property, plant and equipment and operating concessions;
- (ii) pledges over certain of the Group's trade receivables;
- (iii) pledges over the Group's equity interests in certain subsidiaries;
- (iv) guarantees given by the Company and/or its subsidiaries; and/or
- (v) pledges over certain of the Group's bank balances.

Save as disclosed above, at 31 December 2019, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (2018: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the year ended 31 December 2019, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 2,059 employees (2018: 2,466 employees) with total staff cost of approximately HK\$369.5 million incurred for the year ended 31 December 2019 (2018: approximately HK\$479.8 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

- (a) On 9 October 2019, 中融國際信託有限公司 (Zhongrong International Trust Co., Ltd*) (the “**Vendor**”), 青海黃河水電再生鋁業有限公司 (Qinghai Huanghe Hydropower Renewable Aluminium Industry Co., Ltd.*) (“**QHRA**”), Mr. Yang Yi and 北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Company Limited*) (the “**Purchaser**”) entered into (i) an equity transfer agreement in relation to the acquisition of 49.09% equity interest in 青海華鑫水電開發有限公司 (Qinghai Huaxin Hydropower Development Co., Ltd.*) (the “**Project Company**”) at a consideration of RMB1,270,586,100 (the “**First Acquisition**”) and (ii) an equity transfer agreement in relation to the acquisition of 5% equity interest in the Project Company at a consideration of RMB129,413,900 (the “**Second Acquisition**”) (collectively referred to as the “**Acquisitions**”).

As at the date of this announcement, certain conditions precedent to the completion of acquisitions have not been fulfilled. The Acquisitions have therefore not completed. The Purchaser, the Vendor, Mr. Yang Yi and QHRA are in active discussions if they would proceed with the Acquisitions. Further details are set out in the Company's announcements dated 9 October 2019 and 9 December 2019.

- (b) On 27 December 2019, the Company, Harvest Sunny International Limited (the “**Subsidiary**”) and 北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Company Limited*), (as the “**Target Company**”), both being indirect wholly-owned subsidiaries of the Company, entered into a capital contribution agreement with 天津市平安消費科技投資合夥企業(有限合夥) (Tianjin Ping An Consumption Technology Investment Partnership (Limited Partnership)*), 嘉興智精投資合夥企業(有限合夥) (Jiaxing Zhijing Investment Partnership (Limited Partnership)*), 嘉興智精恒錦投資合夥企業(有限合夥) (Jiaxing Zhijing Hengjin Investment Partnership (Limited Partnership)*) and 嘉興智精恒睿投資合夥企業(有限合夥) (Jiaxing Zhijing Hengrui Investment Partnership (Limited Partnership)*), (collectively referred to as the “**Ping An Entities**”), pursuant to which the Ping An Entities agreed to subscribe for new capital in the Target Company in the aggregate amount of RMB600 million (the “**Capital Increase**”).

Upon completion of the Capital Increase, the Target Company will be held as to approximately 93.26% by the Subsidiary, and as to approximately 6.74% by the Ping An Entities. The Target Company will continue to be accounted as a subsidiary of the Company. The Capital Increase constitutes a deemed disposal by the Company of its interests in the Target Company. The Capital Increase was completed in December 2019 and the Target Company became indirect non-wholly-owned subsidiary of the Company. Further details are set out in the Company’s announcement dated 27 December 2019.

Save as disclosed above, there were no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the year ended 31 December 2019.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period are set out in page 22 of this annual results announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year ended 31 December 2019.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors namely Mr. Li Fujun (the chairman of the Audit Committee), Mr. Xu Honghua and Mr. Chiu Kung Chik. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The annual results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor 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 HKICPA and consequently, no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.bece.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

The Board would like to express its sincere thanks to our shareholders and business partners for their continuous support and our staff for their dedication and hard work throughout the reporting year.

By Order of the Board
Beijing Enterprises Clean Energy Group Limited
Hu Xiaoyong
Chairman

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Hu Xiaoyong, Mr. Shi Xiaobei, Mr. Huang Weihua, Mr. Tan Zaixing and Ms. Huang Danxia as executive Directors; and Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik as independent non-executive Directors.

* *for identification purpose only*