



北控清潔能源集團有限公司
Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 01250

Annual Report
2019

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Xiaoyong (*Chairman*)

Mr. Shi Xiaobei

(Appointed as Chief Executive Officer on 31 May 2019)

Mr. Huang Weihua

(Resigned as Chief Executive Officer on 31 May 2019)

Mr. Tan Zaixing

(Appointed as Executive Director on 26 September 2019)

Ms. Huang Danxia

(Appointed as Executive Director on 4 September 2019)

Mr. Wang Ye

(Resigned as Executive Director on 26 September 2019)

Mr. Wen Hui

(Resigned as Executive Director on 4 September 2019)

Independent Non-executive Directors

Mr. Li Fujun

Mr. Xu Honghua

Mr. Chiu Kung Chik

AUDIT COMMITTEE

Mr. Li Fujun (*Chairman*)

Mr. Xu Honghua

Mr. Chiu Kung Chik

NOMINATION COMMITTEE

Mr. Hu Xiaoyong (*Chairman*)

Mr. Li Fujun

Mr. Xu Honghua

REMUNERATION COMMITTEE

Mr. Chiu Kung Chik (*Chairman*)

Mr. Shi Xiaobei

Mr. Xu Honghua

COMPANY SECRETARY

Ms. So Hiu Wa

(Appointed as Company Secretary on 4 September 2019)

Mr. Liu Kin Wai

(Resigned as Company Secretary on 4 September 2019)

STOCK CODE

1250

WEBSITE

www.bece.com.hk

INVESTOR RELATIONS CONTACT

Email Address: ir@bece.com.hk

REGISTERED OFFICE

P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 6706-07
67th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT OFFICE

Ocorian Trust (Cayman) Limited
(Change of name with effect from 6 April 2020)
P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

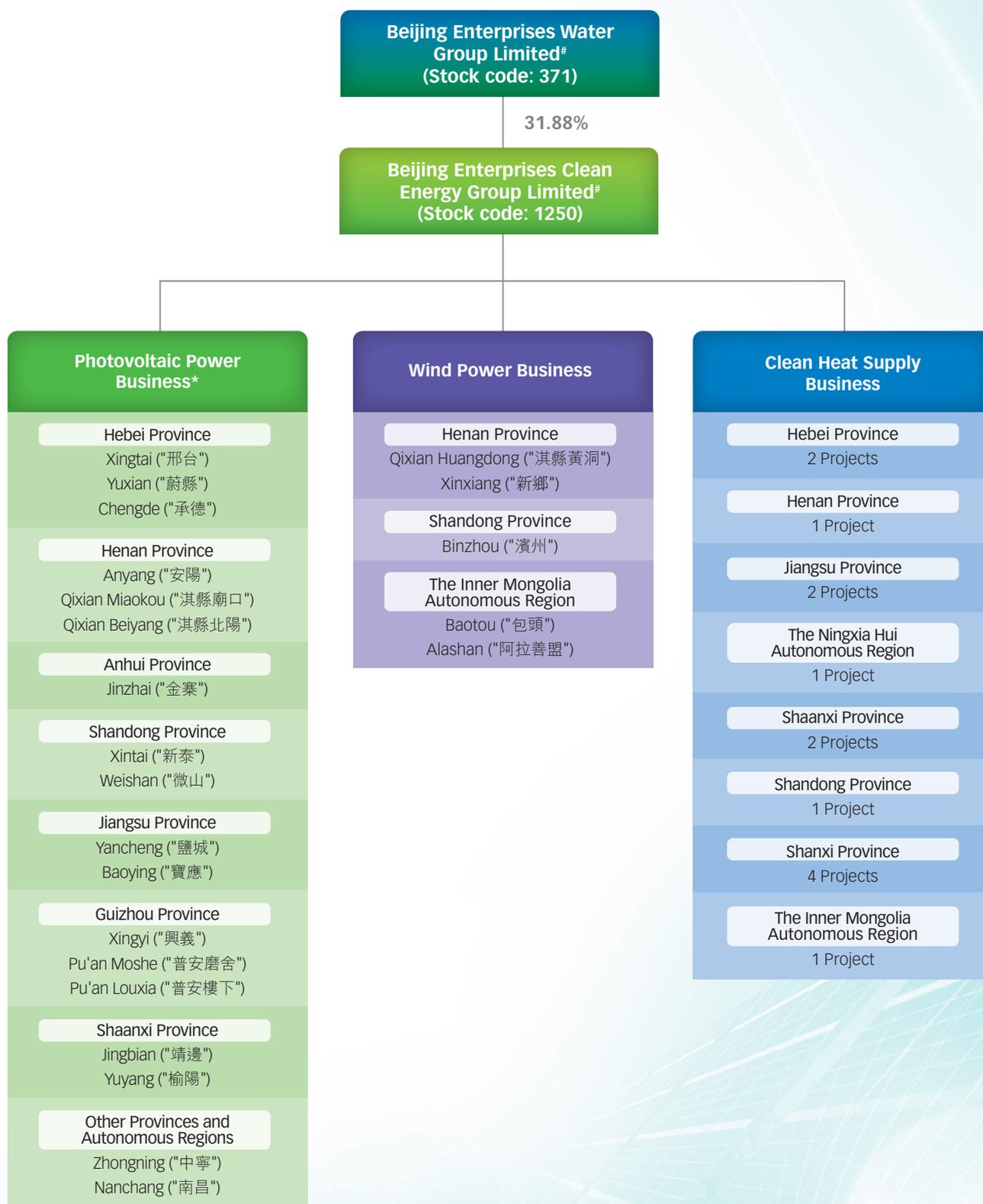
AUDITOR

Ernst & Young

PRINCIPAL BANKERS

In Hong Kong:
China Everbright Bank Co., Ltd., Hong Kong Branch
CIMB Bank Berhad, Hong Kong Branch
CMB Wing Lung Bank Limited
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited

In Mainland China:
Bank of Jiangsu Co., Ltd.
China Construction Bank Corporation
China Development Bank
China Guangfa Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Ping An Bank Co., Ltd.
The Export-Import Bank of China



Listed on the Main Board of The Stock Exchange of Hong Kong Limited.

* Only projects with total capacity of 50MW or above are disclosed.

Note: The above group structure only lists out major projects in operation and held by the Group's subsidiaries.

Chairman's Statement



Dear Shareholders,

The year of 2019 marked the 70th anniversary of the People's Republic of China (the "PRC" or "China"). In this year of great significance, despite the more complicated internal and external situations, China's economy was stable and moving in a positive direction, with no change in its fundamental trend of long-term positive growth. In 2019, China's annual gross domestic product recorded a year-on-year growth of 6.1%, closing to RMB100 trillion. China's power generation is running smoothly, and its power consumption continues rising steadily with the total social power consumption reaching 7,225.5 billion kilowatt-hours ("kWh"), representing a year-on-year increase of 4.5%.

Looking back at the development of the clean energy industry in 2019, as of the end of 2019, China's consolidated installed capacity of power generation amounted to 2.01 billion kilowatts ("kW"), representing an increase of 5.8% as compared to the end of last year. Power generation maintained green and low-carbon development trend. Notably, the consolidated installed capacity of non-fossil energy power generation in China was

840 million kW, representing an increase of 8.7% as compared to last year, and accounting for 41.9% of the total installed capacity, up by 1.1% from the end of last year. In 2019, China's newly-installed capacity of power generation amounted to 101.73 million kW, of which the newly-installed capacity of non-fossil energy power generation was 63.89 million kW, accounting for 62.8% of the total newly-installed capacity of power generation. In 2019, the National Development and Reform Commission (the "NDRC") of the PRC and the National Energy Administration successively introduced a number of policies to proactively promote the grid parity of wind power and photovoltaic power projects. The announcement of the list of the first batch of grid parity projects with a total installed capacity of 20.76 million kW in May 2019 further promoted the high-quality development of the clean energy industry.

Beijing Enterprises Clean Energy Group Limited (the "Company", together with its subsidiaries, the "Group" or "BECE") fully leverages on the advantageous resources of its three major shareholders (i.e. Beijing Enterprises Water Group Limited ("BEWG", a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 371)), the private equity funds managed by CITIC Private Equity Funds Management Co., Ltd. and 啟迪控股股份有限公司 (Tus-Holding Co., Ltd.*) as well as the Group's experienced management team. Under the strategic leadership of the board (the "Board") of directors (the "Directors") of the Company, the Group actively follows the national policy and situation, steadily develops photovoltaic power business, wind power business, clean heat supply business and aggressively explores various areas such as hydropower, energy storage and distribution and sales of electricity, with an aim to become a leading integrated clean energy service provider.

PERFORMANCE

In 2019, the Group continued to focus on the development of businesses with higher gross profit ratio and stronger sustainability (such as sales of electricity and clean heat supply), further improve the quality of existing projects, implement cost reduction and efficiency enhancement and exercise a strict risk control. As at 31 December 2019, the Group recorded revenue of HK\$6,335.6 million, representing a decrease of 9% as compared to 2018, while gross profit margin increased from 41.9% to 45.7% as compared to 2018, 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, representing a decrease of approximately 39% as compared to the corresponding period of last year. In 2019, profit attributable to the equity holders of the Company was HK\$682.9 million, representing a decrease of 46% as compared to 2018. Such decrease was primarily attributable to the increase in finance costs attributable to the increases in the Group's average total balances of bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables during the year as compared to 2018, one-off impairments of property, plant and equipment and investments in associates, and the decrease in administrative expenses as a result of implementing cost reduction and efficiency enhancement.

PERFORMANCE REVIEW

In January 2019, the NDRC and the National Energy Administration promulgated the "Notice of actively Promote the Work Concerning Subsidy-free Grid Parity for Wind Power and Photovoltaic Power Generation" (Fa Gai Neng Yuan [2019] No. 19), which requires to launch the construction of grid parity projects and low-priced grid pilot projects. The Group actively followed industry policies and adapted to market changes, conducted relevant research as soon as practicable, and carried out targeted relevant deployments to steadily promote the development and construction of grid parity and low-priced photovoltaic and wind power projects. As at 31 December 2019, the aggregate on-grid installed capacity of the centralised photovoltaic power plants held by the Group was approximately 2,256 megawatt ("MW"), mainly located in resource areas II and III as promulgated by the NDRC such as Anhui Province, Shandong Province, Hebei Province and Henan Province, etc. 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. During the year, projects held by the Group and in operation achieved photovoltaic power generation volume of 3.244 billion kWh, representing a year-on-year increase of 20%. The weighted average utilisation hours of centralised photovoltaic power plant projects held by the Group and in operation for the full period reached 1,295 hours, which was higher than the national photovoltaic power average utilisation hours of 1,169 hours.

In 2019, the Group's wind power business was mainly deployed in provinces and projects in which tariff was high, and achieved remarkable results in Henan Province and Shandong Province. In Henan Province, the Group secured eight distributed wind power projects with an approved capacity of 324MW, making the Group ranks first in Henan Province in terms of approved capacity possessed by single companies. As at 31 December 2019, the Group achieved an aggregate capacity of the grid-connected, under construction and approved-to-construct wind power projects of over 1,400MW by ways of self-development, joint development and acquisitions, 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. As at 31 December 2019, the total installed capacity of on-grid wind power projects held by the Group was approximately 190MW, located in Henan Province, Shandong Province and the Inner Mongolia Autonomous Region. During the year, projects held by the Group and in operation achieved wind power generation volume of 459 million kWh, representing a year-on-year increase of 132% and there was basically no curtailment issue. The weighted average utilisation hours reached 2,810 hours, which was higher than the national wind power average utilisation hours of 2,082 hours.

Chairman's Statement

Heat supply not only serves for securing the people's basic living needs, but also provides effective energy supply guarantee for the stable development of urban economy and society. In recent years, as the urbanisation process has driven the heat supply sector into a new period of rapid development, the government and the people have increasingly preferred environmentally-friendly clean heat supply, and the development of the industry has entered a new period of strategic opportunities. The Group's project development focuses on traditional heat supply areas and gives priority to provincial capitals and prefecture-level cities. As at 31 December 2019, the Group's actual clean heat supply area in operation reached 27 million square meters, with its projects located in Henan, Hebei, Shanxi, Shaanxi, the Ningxia Hui Autonomous Region, Liaoning, Shandong, Jiangsu and other provinces.

During the year, the Group also 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, higher 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 business 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.

In terms of financing, the Group introduced high-quality capital and focused on low-cost equity financing. On 27 December 2019, 北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Co., Ltd.*), an indirect wholly-owned subsidiary of the Group, received a strategic capital investment of RMB600 million from the Ping An Entities (as hereinafter defined), which established a good image for the Group in the capital market and vitalised the Group's business development.

CORPORATE MANAGEMENT AND CONTROL AND SUSTAINABLE DEVELOPMENT

In 2019, the Group adhered to the management principles of "sufficient authorisation, goal-oriented, positive incentives, and control and review in place" and the lean concepts of "outstanding employees, lean operation, high-quality products and innovation", to carry out organisational reform, improve its systems and processes and optimise its management and control system. During the year, the Group implemented a cost accounting-oriented business unit management system in its entire process covering investment, technology, construction and operation and maintenance, which integrates authorisation and performance and is supplemented by a precise and professional authorisation and evaluation incentive system, so as to comprehensively optimise and adjust its organisational structure, steadily promote comprehensive IT-based construction and process re-engineering, streamline processes, strengthen collaboration, improve efficiency, and focus on new income sources, cost reduction and efficiency enhancement from the perspective of its management and control system.

In 2019, the Group adhered to the core values of "being responsible, having values and being sharing" on the comprehensive organisational capacity building. During the year, the Group adopted multi-type and multi-level cultural promotion activities with full coverage, such as the launching ceremony of the "BECE Principles" cultural system, to promote staff consensus. The Group also unified its employees' pace of action through cultural points rewarding system, personal performance-based cultural assessment mechanism, "red and yellow card" punishment mechanism and other supporting mechanisms. By means of promotion and implementation, the Group endeavours to incorporate its corporate culture into its systems and requires all staff to effectively keep the same in mind and to put into practice.

Chairman's Statement

The Group always attaches great importance to and puts continuous effort in safety management. During the year, the Group often carried out non-scheduled inspections and investigations on hidden dangers in its projects and achieved 100% rectification. The Group also planned and conducted trainings on various aspects such as safety management and emergency rescue, which further enhanced the employees' awareness of danger prevention as well as the quality of the Group's safety management.

FUTURE OUTLOOK

Seize the day and live it to the fullest. Since its inception, BECE 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.

In closing, on behalf of the Board, I would like to express our sincere gratitude to the shareholders and business partners rendering trust and great support to the Group, and our heartfelt thanks to all the employees for their arduous work.

Hu Xiaoyong

CHAIRMAN

Hong Kong, 27 March 2020

* *For identification purposes only*

Management Discussion and Analysis

31 December 2019

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 HK\$'000	2018 HK\$'000	Change %
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 (in HK cents)	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. BUSINESS REVIEW (CONTINUED)

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.



Centralised Photovoltaic Power Plant,
Qixian Miaokou, Henan Province



Centralised Photovoltaic Power Plant,
Jinzhai County, Anhui Province

Management Discussion and Analysis

31 December 2019

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

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

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	Number of Plants	2019 Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)	Number of Plants	2018 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

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

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

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	Number of plants	2019		Number of Plants	2018	
		Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)		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.

Management Discussion and Analysis

31 December 2019

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

(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).



Distributed Photovoltaic Power Station in a water plant of BEWG, Dongguan, Guangdong Province

(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. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

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



Wind Power Plant, Alashan, The Inner Mongolia Autonomous Region



Wind Power Plant, Binzhou, Shandong Province

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	Number of plants	2019		Number of Plants	2018		
			Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)		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	
Shandong Province	IV	1	48	105,866	1	48	109,928	
Henan Province	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.

Management Discussion and Analysis

31 December 2019

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.2 Wind Power Plant Projects (Continued)

(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\$1,759.4 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\$189.5 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. BUSINESS REVIEW (CONTINUED)

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”.



Clean coal consumption and power plant excess heat energy centralised heat supply project in Yinchuan City, The Ningxia Hui Autonomous Region

Management Discussion and Analysis

31 December 2019

1. BUSINESS REVIEW (CONTINUED)

1.4 Other Clean Energy Businesses (Continued)

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)

Management Discussion and Analysis

31 December 2019

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.

Management Discussion and Analysis

31 December 2019

2. FINANCIAL PERFORMANCE (CONTINUED)

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 floor 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 2.2 to the financial statements.

2. FINANCIAL PERFORMANCE (CONTINUED)

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.

Management Discussion and Analysis

31 December 2019

2. FINANCIAL PERFORMANCE (CONTINUED)

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. FINANCIAL PERFORMANCE (CONTINUED)

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\$3,928.3 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\$3,274.0 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\$3,698.8 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.

Management Discussion and Analysis

31 December 2019

2. FINANCIAL PERFORMANCE (CONTINUED)

2.24 Liquidity and financial resources (Continued)

(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.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.24 Liquidity and financial resources (Continued)

(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.

Management Discussion and Analysis

31 December 2019

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 report.

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 report, 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.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

(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 an 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.

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).

Management Discussion and Analysis

31 December 2019

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Fluctuation in currency exchange rates

The Group primarily operates its businesses in the PRC and most of its transactions are mainly denominated in RMB. The value of RMB against HK\$ and other currencies may fluctuate and is affected by, among others, changes in the economic conditions and policies. The conversion of RMB into foreign currencies, including HK\$, has been based on rates as promulgated by the People's Bank of China. The Group monitors foreign exchange exposures and takes appropriate measures to mitigate and manage the risk on a timely and effective manner by, including but not limited to, raising debt financing denominated in RMB to match the currency of operating cash flows.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due. During the year, the Group steadily expanded the clean energy businesses, which require material funding in investment and development stages. In managing the liquidity risk, the Group, among others, (i) obtains long-term borrowings, issues perpetual capital instrument and corporate bond and introduced strategic capital investments in a subsidiary as detailed under the section headed "2.24 Liquidity and financial resources" in "Management Discussion and Analysis"; (ii) monitors and maintains an adequate level of cash and credit facilities; and (iii) timely monitors the settlements of receivables.

Policy risks

The Group's clean energy businesses are dependent on the relevant governmental support measures (including the preferential tax policies, subsidies and government grants, electricity generation dispatch priority, laws and regulations, etc.) for steady and healthy development. Although the Chinese government has been supportive to the growth of the clean energy businesses, it is possible that the existing governmental support measures will be modified. The Group will strictly cohere to the government measures and will closely monitor the policy planning to grasp the business opportunities and get understanding on the risks associated with the policy modifications in advance.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Other business risks

The risks and uncertainties on the Group's clean energy businesses, in particular the Photovoltaic Power Business and the Wind Power Business, also comprise (i) the risks on project performance; and (ii) grid curtailment risks. If any of these risks and uncertainties materialise, overall growth and profitability would be affected. In mitigating the risks on project performance, the Group places significant emphasis on, among others, (i) implementing effective investment due diligence, approval and review processes; (ii) monitoring and controlling the quality and performance of its assets and businesses; (iii) human capital and technical strengths; and (iv) relationships with customers and suppliers, in order to facilitate the positive development of these businesses. On the other hand, in mitigating the curtailment risks, the Group strategically focuses on developing the Photovoltaic Power Business and the Wind Power Business in regions which are well-developed with power transmission network and with stronger economy and electricity demand, and in general do not have curtailment issue.

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.

CORPORATE SOCIAL RESPONSIBILITY

Environmental policies and performance

The Group is committed to sustainable development of the environment, minimising the environmental impact of its operations by reinforcing environmental awareness and implementing measures for the responsible use of resources, energy saving and waste management. The Group is dedicated to environmental sustainability by strategically expanding into the Photovoltaic Power Business, the Wind Power Business, the Clean Heat Supply Business and other clean energy businesses, which offer clean energy and contribute to the widespread use of renewable energy.

Compliance with relevant laws and regulations

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Management Discussion and Analysis

31 December 2019

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Relationship with stakeholders

The Group recognises that stakeholders including employees, shareholders and investors, customers, suppliers and contractors, government entities, industry partners and community partners are the key to corporate sustainability and is keen on developing long-term relationships with these stakeholders. Some examples on supporting and communicating with the stakeholders include:

- (a) Employees : The Company places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions;
- (b) Shareholders and investors : Details of which are set out in the section headed “Investor Relations – Communication with shareholders” in the “Corporate Governance Report” of this annual report;
- (c) Customers : The Group understands that it is important to maintain good relationship with customers and provide products in a way that satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers’ complaints to ensure customers’ complaints are dealt with in a prompt and timely manner; and
- (d) Suppliers and contractors : The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stable supply of materials and timely delivery of construction works. We reinforce business partnerships with suppliers and contractors by on-going communication in a proactive and effective manner so as to ensure quality and timely delivery.

Environmental, social and governance report

Further details of the Group’s commitment and strategies to sustainability and the performance in environmental contributions, employee relations, supply chain management, occupational health and safety and social investments of the core business of the Group for the year ended 31 December 2019 are set out in the Group’s Environmental, Social and Governance Report for the year ended 31 December 2019, which will be published on the websites of the Company (www.bece.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) by the end of July 2020.

* For identification purposes only

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2019.

The Company's corporate governance policies and practices are applied and implemented in the manners as stated in the below Corporate Governance Report.

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 Group 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 Group. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for shareholders.

In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Role and delegation

The Board is responsible for the leadership and directing and supervising the Group's businesses, strategic decisions and performance. The Board reserves for its decision on all major matters of the Group, including the approval and monitoring of all material acquisitions and disposals, material contracts, notifiable and/or connected transactions, appointment or reappointment of Directors and the financial performance in pursuit of its strategic goals. The Board is also responsible for the developing and reviewing the appropriate corporate governance practices applicable to the Company's circumstances and ensuring processes and procedures are in place to achieve the Company's corporate governance objectives. The Board has delegated the leadership and day-to-day operation of the Group to the chief executive officer (the "Chief Executive Officer") and the management of the Group.

All Directors are required to discharge their responsibilities as directors of the Company. All Directors have timely access to all relevant information of the Company and the advice of the management. Any Director may also seek independent professional advice in appropriate circumstances at the Company's expenses upon reasonable request made to the Board.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Composition

As at the date of this annual report, the Board consists of eight Directors comprising five executive Directors, namely, Mr. Hu Xiaoyong (Chairman), Mr. Shi Xiaobei (Chief Executive Officer), Mr. Huang Weihua, Mr. Tan Zaixing and Ms. Huang Danxia; and three independent non-executive Directors, namely, Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik.

The Board has met the requirements of Rule 3.10 of the Listing Rules of having at least three independent non-executive Directors (representing at least one-third of the Board). In addition, Mr. Li Fujun, an independent non-executive Director, has the appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The biographical details of the Directors are set out in the section headed “Directors and Senior Management” in this annual report. Directors have disclosed their number and nature of offices held in public companies or organisations and other significant commitments in their biographies. They are also reminded to notify the Company of any change of the information in a timely manner. Besides, Mr. Hu Xiaoyong, Mr. Shi Xiaobei, Mr. Huang Weihua and Mr. Tan Zaixing, the executive Directors, currently serve as directors of certain subsidiaries of the Group. Except for the relationships (including financial, business, family, and other material and relevant relationships) as detailed in the biographies of the Directors set out on pages 42 to 44 of this annual report, there are no other relationships among the Board members to the best knowledge of the Board as of the date of this annual report.

Chairman and Chief Executive Officer

Currently, the chairman of the Board (the “Chairman”) is Mr. Hu Xiaoyong and the Chief Executive Officer is Mr. Shi Xiaobei. The roles of the Chairman and the Chief Executive Officer are clearly defined and segregated to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them.

The Chairman has executive responsibilities, provides leadership to, and oversees the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. With the support of the executive Directors and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and are provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board’s affairs so as to contribute to the Board’s effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders as outlined later in this report.

The Chief Executive Officer, leading the Group’s management, is accountable to the Board for the overall implementation of the Company’s strategies and the management of the operations of the Group.

Independent non-executive Directors

The Board considers that the independent non-executive Directors can provide independent advices on the Company’s business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

The Company has received a written annual confirmation from each of the independent non-executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Corporate governance functions

The Board has undertaken the responsibility for performing the corporate governance duties of the Company including:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- (v) to review the Company's compliance with the CG Code and disclosures in the Company's Corporate Governance Report.

Nomination policy and Board diversity

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedures of appointment and re-appointment of a Director. The nomination committee of the Company (the "Nomination Committee") shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders for election as Directors at general meetings or appoint as additional Directors to the Board or Directors to fill casual vacancies in accordance with the Nomination Policy. In the nomination process, the Nomination Committee shall consider candidates from a wide variety of backgrounds, identify and nominate potential candidates and makes recommendations for the Board's consideration and approval.

When assessing the suitability of a proposed candidate for directorships, the Nomination Committee shall consider the following factors:

- accomplishment and experience in the industry, in particular, in the clean energy segment;
- reputation for integrity;
- commitment in respect of available time and relevant interest;
- merit and contribution will bring to the Board;
- contribution to diversity of the Board; and
- in the case of independent non-executive Directors, the independence of the candidate.

The above factors are for reference only, and not meant to be exhaustive and conclusive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Corporate Governance Report

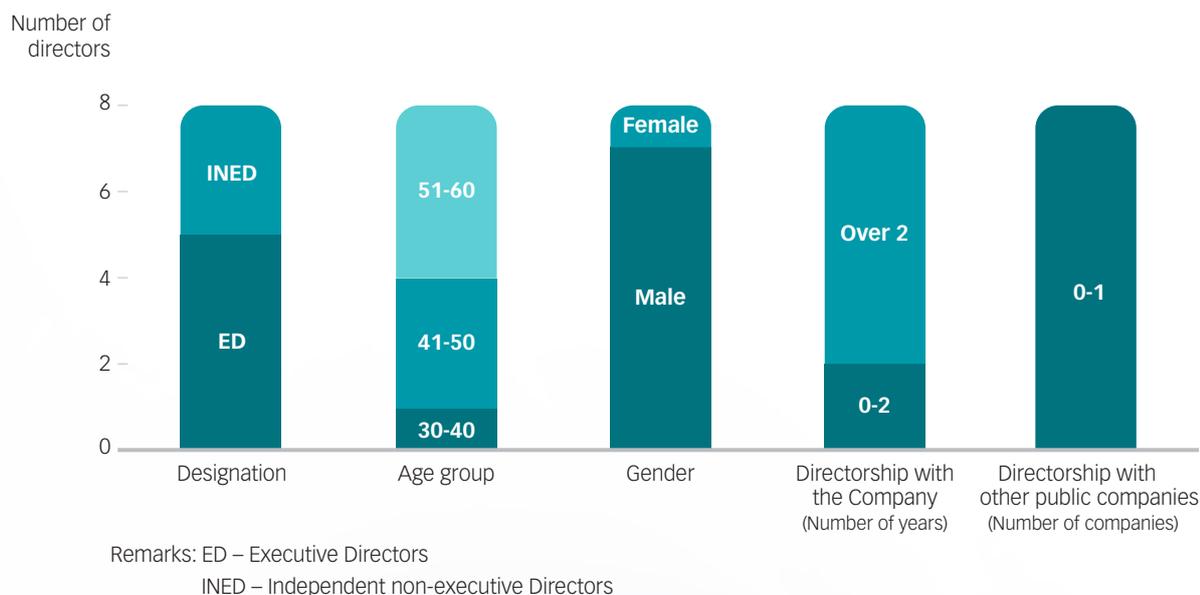
BOARD OF DIRECTORS (CONTINUED)

Nomination policy and Board diversity (Continued)

The Board also adopted a Board diversity policy (the “Board Diversity Policy”) formulated by the Company in accordance with the requirements of the Listing Rules. It aims to set out the approach to achieve diversity on the Board. The Board endeavours to ensure that it has a balance of skills, experience and diversity of perspectives which are appropriate to the requirements of the Group’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, nationality and ethnicity, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy and the Nomination Policy from time to time to ensure the continued effectiveness of such policies.

As at the date of this annual report, there are eight Directors with extensive experience and/or professional backgrounds to formulate and give direction of the Group’s corporate strategy and business development. The composition, experience and balance of skills on the Board are regularly reviewed by a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee.

The illustration of the Board diversity as at 31 December 2019 is shown below while the detailed biographies (including their roles, function, skills and experience) are set out in this annual report under the section headed “Directors and Senior Management”.



Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Tenure

In accordance with the articles of association of the Company (the “Articles of Association”), all Directors are subject to retirement by rotation. At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. Any Director appointed by the Board to fill casual vacancy shall hold office only until the first general meeting after appointment. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company.

All Directors (including the independent non-executive Directors) had entered into the letters of appointment or service agreements (as the case may be) with the Company for a term of three years subject to retirement from office by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Directors’ induction and continuous professional development

Upon appointment to the Board, each newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company.

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

According to the records maintained by the Company, the Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirements of the CG Code on continuous professional development during the year ended 31 December 2019.

Directors	Corporate Governance/ Updates on laws, rules & regulations	
	Read materials	Attended seminars/briefings
Executive Directors		
Mr. Hu Xiaoyong (<i>Chairman</i>)	✓	✓
Mr. Shi Xiaobei (<i>Chief Executive Officer</i>)	✓	✓
Mr. Huang Weihua	✓	✓
Mr. Tan Zaixing (<i>appointed as an Executive Director on 26 September 2019</i>)	✓	✓
Ms. Huang Danxia (<i>appointed as an Executive Director on 4 September 2019</i>)	✓	✓
Mr. Wang Ye (<i>resigned as an Executive Director on 26 September 2019</i>)	✓	✓
Mr. Wen Hui (<i>resigned as an Executive Director on 4 September 2019</i>)	✓	✓
Independent non-executive Directors		
Mr. Li Fujun	✓	✓
Mr. Xu Honghua	✓	✓
Mr. Chiu Kung Chik	✓	✓

Corporate Governance Report

BOARD COMMITTEES

The Board has established three Board committees to strengthen its functions and corporate governance practices, namely, audit committee (the “Audit Committee”), the Nomination Committee and remuneration committee (the “Remuneration Committee”). The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference. The terms of reference of these committees stipulating their respective authorities and responsibilities are available on the Company’s website.

Audit Committee

The Audit Committee comprises all three independent non-executive Directors, namely Mr. Li Fujun (chairman), Mr. Xu Honghua and Mr. Chiu Kung Chik.

The Audit Committee is mainly responsible for considering all relationships between the Company and the external auditor (including the provision of non-audit services), monitoring the integrity of the Company’s financial statements and issues arising from the audit, and reviewing the Group’s risk management and internal control systems whereby the Board had delegated such responsibility to the Audit Committee.

The meetings of the Audit Committee shall be held at least twice a year and when necessary. During the year ended 31 December 2019, the Audit Committee had held two meetings during which the Audit Committee has performed the following major works:

- reviewed the results announcements and the financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2019 respectively;
- reviewed the continuing connected transactions of the Group;
- considered and approved the audit work of the external auditor and monitored its independence;
- reviewed the business and financial performance of the Company; and
- reviewed the effectiveness of the Company’s internal audit function, risk management and internal control systems.

The attendance of each member of the Audit Committee is set out in the section headed “Board and Board Committees Meetings” of this report.

Nomination Committee

The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Hu Xiaoyong (chairman), Mr. Li Fujun and Mr. Xu Honghua.

The Nomination Committee is responsible for, amongst other things, formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of Directors and Board succession.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the year ended 31 December 2019, the Nomination Committee had held four meetings during which the Nomination Committee has performed the following major works:

- reviewed and made recommendations to the Board on the appointment of Mr. Shi Xiaobei as the Chief Executive Officer and the appointments of Ms. Huang Danxia and Mr. Tan Zaixing as executive Directors;
- reviewed and made recommendations to the Board on the re-appointment of the retiring Directors at the annual general meeting of the Company;
- reviewed the size, structure and composition of the Board and the Nomination and Board Diversity Policy to complement the Group's corporate strategy; and
- assessed the independence of independent non-executive Directors.

The attendance of each member of the Nomination Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

Remuneration Committee

The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Chiu Kung Chik (chairman), Mr. Shi Xiaobei and Mr. Xu Honghua.

The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of Directors and senior management with the Board retaining the final authority to approve Directors' and senior management's remuneration. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no Director is involved in decision of his own remuneration.

The meeting of the Remuneration Committee shall be held at least once a year and when necessary. During the year ended 31 December 2019, the Remuneration Committee had held four meetings during which the Remuneration Committee has performed the following major works:

- reviewed the terms of supplemental service agreement for Mr. Huang Weihua and service agreements for Ms. Huang Danxia and Mr. Tan Zaixing respectively;
- made recommendation to the Board a discretionary bonus payment for the years of 2016 to 2018 to Mr. Hu Xiaoyong;
- reviewed the remuneration policy and structure of the Company;
- reviewed the remuneration packages for executive Directors and senior management of the Company; and
- reviewed the remuneration of the independent non-executive Directors.

The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

Corporate Governance Report

BOARD AND BOARD COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and the annual general meeting held during the year ended 31 December 2019 are set out below:

Name of Directors	Meetings attended/held				Annual General Meeting
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Executive Directors					
Mr. Hu Xiaoyong (<i>Chairman</i>)	9/13	–	4/4	–	1/1
Mr. Shi Xiaobei (<i>Chief Executive Officer</i>)	10/13	–	–	3/4	1/1
Mr. Huang Weihua	13/13	–	–	–	0/1
Mr. Tan Zaixing (<i>appointed as an Executive Director on 26 September 2019</i>)	3/3	–	–	–	–
Ms. Huang Danxia (<i>appointed as an Executive Director on 4 September 2019</i>)	5/5	–	–	–	–
Mr. Wang Ye (<i>resigned as an Executive Director on 26 September 2019</i>)	6/10	–	–	–	0/1
Mr. Wen Hui (<i>resigned as an Executive Director on 4 September 2019</i>)	7/8	–	–	–	0/1
Independent non-executive Directors					
Mr. Li Fujun	13/13	2/2	4/4	–	1/1
Mr. Xu Honghua	13/13	2/2	4/4	4/4	0/1
Mr. Chiu Kung Chik	11/13	2/2	–	4/4	1/1

During the year, the Chairman held one meeting with the independent non-executive Directors, without the executive Directors present.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently (except for the adoption of revised standards, amendments to standards and interpretation); adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditor, is set out on pages 65 to 70 of the "Independent Auditor's Report" in this annual report.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Auditor's remuneration

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing the non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, external auditor's remuneration for audit services was approximately HK\$5.2 million and for non-audit service assignments was approximately HK\$2.4 million, which represented agreed-upon procedures engagements such as for the Group's interim report, other assurance engagement for the issuance of a corporate bond, and taxation and compliance services. The Audit Committee had satisfied that the non-audit services in 2019 did not affect the independence of the external auditor.

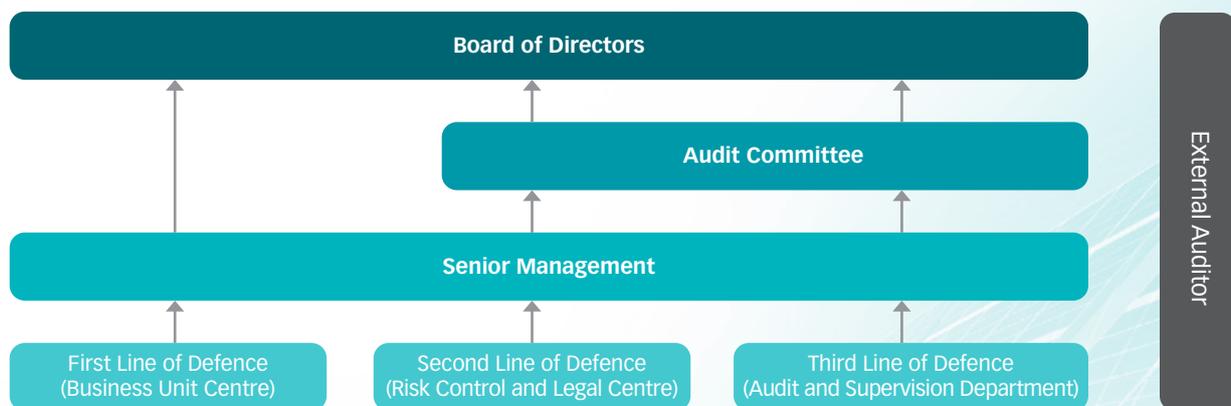
Risk management and internal control

The Board has the overall responsibility for overseeing the risk management and internal control systems on an on-going basis, and reviewing the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective, so as to safeguard the interests of the shareholders of the Company and the assets of the Group.

The Board understands that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated to the management the design, implementation and monitoring of the risk management and internal control systems on an on-going basis. The Audit Committee has also delegated with overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group.

The Group's risk governance structure is based on a "Three Layers + Three Lines of Defence" model, with oversight and directions from the Board, the Audit Committee and senior management. The following diagram illustrates the Group's risk governance framework:



Corporate Governance Report

ACCOUNTABILITY AND AUDIT (CONTINUED)

Risk management and internal control (Continued)

First Line of Defence : Each business unit centre of the Group, as a risk owner, identifies, evaluates and monitors its own risk.

Second Line of Defence : The risk control and legal centre has set up a risk management mechanism to realise corporate objectives in terms of identifying, controlling, ensuring and managing the risks faced by the Group. In particular, the Group applies strict guidelines and procedures that control over every investment which are targeted at mitigating risks in terms of exposure and external impacts and ensures the processes in which risk management are fit for purpose.

Third Line of Defence : The audit and supervision department of the Company (the "Audit and Supervision Department") carries out an independent evaluation of key business processes and controls in accordance with its normal procedures. Their recommendations and remedial measures will be taken to rectify the deficiencies accordingly.

Within this framework, an on-going process has been established for identifying, evaluating and managing the significant risks faced by the Group. The process involves:

- (i) Risk Identification: identify risks that may potentially affect the Group's businesses and operations;
- (ii) Risk Evaluation: consider the impact on the business and the likelihood of their occurrence; and
- (iii) Risk Management: perform on-going and periodic monitoring of the risks and ensure that appropriate internal control processes are in place.

The Audit and Supervision Department performs the internal audit function and assists the Board to set up effective policies and guidelines for risk management and internal controls, and is responsible for the regular review on the execution of these policies and guidelines.

The Audit and Supervision Department has conducted an assessment in respect of the risk management and internal controls of the Group for the year ended 31 December 2019 and reported the review results to the Audit Committee. All major findings were communicated to senior management of the respective business units or departments to enforce the remediation.

The Board, through the Audit Committee, has conducted a review on the Group's risk management and internal control systems which covered financial, operational, compliance procedural and risk management functions and internal control matters identified by the Audit and Supervision Department. It also conducts review on the internal audit functions with particular emphasis on the scope and quality of management's on-going monitoring of risks and of the internal control systems and the works of the Audit and Supervision Department. During the annual review, the Audit Committee also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Based on the assessment and information made by the Audit and Supervision Department and the management, the Audit Committee considered that the risk management and internal control systems of the Group of the reporting year are effective and adequate.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Inside information

The Company has taken appropriate measures to identify inside information and preserve its confidentiality until proper dissemination via the electronic publication system operated by the Stock Exchange. Every senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding recurrence.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 8 and 9 to the financial statements in this annual report, respectively.

COMPANY SECRETARY

Mr. Liu Kin Wai resigned, and Ms. So Hiu Wa has been appointed, as the company secretary of the Company (the "Company Secretary") with effect from 4 September 2019. Ms. So is a full time employee of the Company and has complied with the relevant professional training required under Rule 3.29 of the Listing Rules during the year.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting ("EGM") by shareholders

Pursuant to article 64 of the Articles of Association, the Board may whenever it thinks fit call an EGM. EGM shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders of the Company may at any time send their enquiries to the Board for the attention of the Company Secretary via email (ir@bece.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at Rooms 6706—6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders of the Company may also make enquiries with the Board at general meetings of the Company.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (CONTINUED)

Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at annual general meeting (the "AGM")/EGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Articles of Association and the Listing Rules:

1. A shareholder of the Company shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/EGM.
2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at Rooms 6706-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
3. The period for lodgement of the foregoing notices required under the Articles of Association shall commence on the day after the despatch of the notice of the AGM/EGM and end no later than 7 days prior to the date of the AGM/EGM and such period shall be at least 7 days.
4. The notice will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to consider to include the proposed resolutions in AGM/EGM.

Shareholders of the Company may take reference to the procedures made available under the "Corporate Governance" section ("Procedures for Shareholders to Propose a Person for Election as a Director") of the Company's website.

INVESTOR RELATIONS

Communication with shareholders

The Board believes that effective and proper investor relations play an important role in creating shareholders value, enhancing the corporate transparency as well as establishing market confidence.

During the year ended 31 December 2019, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and potential investors through various channels such as meetings, telephone and emails; and
2. updated regularly the Company's news and developments through the Company's website.

The above measures will provide them with the latest development of the Group as well as the relevant industry.

Constitutional documents

During the year under review, no changes have been made to the constitutional documents of the Company. An up-to-date consolidated version of the Memorandum and Articles of Association of the Company is available on both the websites of the Company and the Stock Exchange.

INVESTOR RELATIONS (CONTINUED)

Dividend Policy

The objective of the Company's dividend policy (the "Dividend Policy") is to allow shareholders of the Company to participate in the Company's profits, while also ensuring that adequate reserves are retained for future prospects of the Group. According to the Dividend Policy, in deciding whether to declare or recommend any dividend distribution, the Board shall take into account, including but not limited to, the following factors:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- the level of the Group's debts to equity ratio, return on equity, contractual restrictions and relevant financial covenants;
- taxation considerations;
- general economic conditions, business cycle of the Group's businesses and other internal or external factors that may have an impact on the businesses or financial performance and position of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems relevant.

Any declaration and payment of dividend shall remain to be determined at the discretion of the Board and subject to the compliance with all applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Hu Xiaoyong (“Mr. Hu”), aged 55, was appointed as the Chairman and an executive director of the Company in May 2015. Mr. Hu is also the chairman of the Nomination Committee of the Company. Mr. Hu graduated from the Tsinghua University (清華大學) with an executive master degree of business administration. He has approximately 23 years’ experience in business management. From 2001 to 2013, Mr. Hu worked with 中成環保集團有限公司 (Zhong Ke Cheng Environment Protection Group Company Limited*) as chairman. He was an executive director and the chief executive officer of Beijing Enterprises Water Group Limited (stock code: 371) (“BEWG”), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), from 1 August 2008 to 30 March 2016. He has been appointed as the honorary chairman of BEWG since 30 March 2016. From 23 September 2014 to 2 October 2018, he was an executive director of Beijing Enterprises Medical and Health Industry Group Limited (stock code: 2389), a company listed on the main board of the Stock Exchange. On 31 January 2019, Mr. Hu has been appointed as an independent non-executive director of China Resources Gas Group Limited (stock code: 1193), a company listed on the main board of the Stock Exchange.

Mr. Shi Xiaobei (“Mr. Shi”), aged 44, was appointed as an executive director of the Company in May 2015 and has been appointed as the Chief Executive Officer on 31 May 2019. Mr. Shi is also a member of the Remuneration Committee of the Company. Mr. Shi graduated from the University of International Business and Economics (對外經濟貿易大學) with a bachelor’s degree of Economics in 1998 and obtained a degree of Master of Science in business administration from The University of British Columbia in 2003. He has approximately 16 years’ experience in the field of banking and investment services in Hong Kong and Mainland China. From 2003 to 2004, Mr. Shi joined Macquarie Group, which is a sizable worldwide personal bank, as a manager of Macquarie Service (Hong Kong) Ltd., one of the companies within the Macquarie Group. From 2004 to 2012, he was promoted to the president and the managing director of infrastructure, resources and general industrial business of Macquarie Investment Advisory (Beijing) Co., Ltd., a company within the Macquarie Group situated in the People’s Republic of China (the “PRC”). Since 2012, Mr. Shi has worked with CITIC Private Equity Funds Management Co., Ltd. as the department head of the international investment department.

Mr. Huang Weihua (“Mr. Huang”), aged 57, was appointed as the Chief Executive Officer and an executive director of the Company on 23 January 2017 and resigned as the Chief Executive Officer on 31 May 2019. Mr. Huang holds a master degree from the Tsinghua University School of Economics and Management and is a senior engineer. He has over 33 years of operational and management experiences in energy-related, clean energy-related and environmental protection-related industries, and previously served as the chief engineer of 北京國投節能公司 (Beijing State Investment Energy Conservation Company*), a vice general manager of 中節能風力發電投資有限公司 (China Energy Conservation Wind Power Generation Investment Company Limited*), the chairman of 浙江運達風力發電工程有限公司 (Zhejiang Windey Engineering Co., Ltd.*) and a general manager of 中環保水務投資有限公司 (General Water of China Co. Ltd.*). Prior to joining the Company, Mr. Huang was the chairman of 北京可汗之風科技有限公司 (Beijing Khanwind Technology Company Limited*).

Directors and Senior Management

DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. Tan Zaixing (“Mr. Tan”), aged 42, joined the Company in 2016 as the Vice President and was appointed as an executive director of the Company on 26 September 2019. Mr. Tan is in charge of several business departments of the Group including the Department of Finance and Treasury, the Risk Control and Legal Centre and the Strategy Department, etc. Mr. Tan graduated from the China University of Petroleum (Beijing) with a bachelor’s degree in petroleum engineering, and he also obtained a master degree in business administration from the China University of Petroleum (Beijing). Mr. Tan has extensive experience and knowledge in clean energy investment and corporate management. Mr. Tan joined the China Development Bank in 2002, and he served as the deputy head of the second division of the first evaluation and review bureau in 2007, worked as a senior economist in 2009, and acted as the head of the seventh division of the first evaluation and review bureau in 2012. During his service at the China Development Bank, Mr. Tan committed to energy project development and assessment. He has presided over more than 100 energy projects, involving a power generation installed capacity of 50 million kilowatts, a coal production capacity of 30 million tonnes per annum, a crude oil import volume of more than 20 million tonnes per annum, a natural gas import volume of 10 billion cubic meters per annum, with a committed line of credit of more than RMB900 billion. He was the first head of the new energy division of the China Development Bank, which promoted the increase of the bank’s loans granted to wind power, photovoltaic power and biomass power assets from less than RMB20 billion to RMB300 billion within five years, accounting for more than 30% of bank financing across the whole industry.

Ms. Huang Danxia (“Ms. Huang”), aged 47, was appointed as an executive director of the Company on 4 September 2019. Ms. Huang graduated from the College of Economics of Jinan University (Guangzhou) with a bachelor’s degree of Economics and obtained a master degree of business administration from the Murdoch University, Australia. Ms. Huang has extensive experience and knowledge in finance, investment and mergers and acquisitions. She previously served as the executive vice president of 北京千方科技集團有限公司 (China Transinfo Technology Group Company Limited*) from 2006 to 2013 and an executive director and the general manager of 北京簡石投資管理有限公司 (Beijing Natural Stone Investment Management Co., Ltd.*) from 2014 to 2016; and currently serves as the assistant to president of 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*), the senior vice president of 北京啟迪清潔能源科技有限公司 (Beijing Tus Clean Energy Technology Company Limited*) and the assigned representative of the managing partner of 啟迪簡石清潔能源投資管理中心 (有限合夥) (Tus Natural Stone Clean Energy Investment Management Centre (Limited Partnership)*).

Independent Non-executive Directors

Mr. Li Fujun (“Mr. Li”), aged 56, was appointed as an independent non-executive director of the Company on 29 July 2016. Mr. Li is also the chairman of the Audit Committee and a member of the Nomination Committee of the Company. He holds a bachelor’s degree in engineering from the Tsinghua University and a master degree in economics from the University of International Business and Economics. Mr. Li is a CFA charterholder and has over 28 years of experience in project evaluation and strategic planning, investment analysis and engineering work, as well as project management and investment. Mr. Li was an executive director of Towngas China Company Limited (stock code: 1083) from January 2001 to March 2007, a director of 眾安在綫財產保險股份有限公司 (ZhongAn Online P & C Insurance Co., Ltd.) (stock code: 6060) from July 2013 to January 2017 and the chief financial officer of Sinolink Worldwide Holdings Limited (stock code: 1168) from October 2007 to September 2014, all of these companies are listed on the main board of the Stock Exchange. Prior to joining the Company, Mr. Li was the managing director of Noble Bridge Capital Limited (君橋資本有限公司).

Directors and Senior Management

DIRECTORS (CONTINUED)

Independent Non-executive Directors (Continued)

Mr. Xu Honghua ("Mr. Xu"), aged 53, was appointed as an independent non-executive director of the Company in May 2015. Mr. Xu is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He has approximately 31 years' experience in the fields of the power generation. Mr. Xu graduated from the Tianjin University with a master's degree of engineering in power system and automation in 1988. He had been appointed by the Institute of Electrical Engineering (電工研究所), Chinese Academy of Sciences ("CAS") as a research fellow in 1999. He was the former deputy director of the Institute of Electrical Engineering (電工研究所), CAS. Currently, Mr. Xu is the president of 北京科諾偉業科技股份有限公司 (Beijing Corona Sciences & Technology Co. Ltd.*) and the president of 保定科諾偉業控制設備有限公司 (Baoding Corona Control Equipment Co., Ltd.*). Mr. Xu is the researcher of the Institute of Electrical Engineering, the officer of 北京市太陽能發電技術重點實驗室 (Beijing Key Laboratory of Solar Power Technology*) and the vice chairman of Chinese Renewable Energy Society (中國可再生能源學會). In addition, Mr. Xu was a member of the Advisory Committee of Energy Experts for National Energy Administration (國家能源專家諮詢委員會), the member of expert team for solar and wind power generation in the 10th Five-year Plan, 11th Five-year Plan and 12th Five-year Plan, the leader of the expert team for the 863 key project and the vice president of the National Technical Committee for Standardisation of Wind Machinery* (全國風力機械標準化技術委員會). In 2007, Mr. Xu was selected as a national candidate for the New-Century BaiQian-Wan Talent Project* (新世紀百千萬人才工程國家級人選). Mr. Xu also received multiple awards including the Best New Talent Award* (最佳新人獎) by World Wide Fund for Nature Beijing office in 2009, the Special Contribution Award by Photovoltaic Professional Committee of China Renewable Energy Society and the honorary title of "National Advanced Individual for Science Popularisation* (全國科普工作先進工作者) in 2010, the First Class Prize for Scientific and Technological Progress of Hebei Province issued by The People's Government of Hebei Province in 2012, the Third Class Prize for National Energy Technology Progress in 2013, the Scientific Figure Award of the Third Capital Technology Celebration* (第三屆首都科技盛典人物獎) in 2014 and the title of leading talents for science and technology entrepreneurship* (科技創業領軍人才) in the third batch of national "Manpower Planners* (萬人計劃) in 2017.

Since 1988, Mr. Xu has been involved in the research and/or projects of wind power, photovoltaic and hybrid power generation systems, including grid-connected and off-grid solar photovoltaic power plants and the technologies on wind/photovoltaic-integrated power plant systems, electrical control over wind turbines and remote monitoring, control over photovoltaic power generation systems and tracking. Mr. Xu has also engaged in the research and/or projects of the economic and policies on renewable energy technology. He has been in charge of and completed a number of national technology projects, with numerous reports and publications on renewable energy.

Mr. Chiu Kung Chik ("Mr. Chiu"), aged 35, was appointed as an independent non-executive director of the Company on 29 July 2016. Mr. Chiu is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Chiu graduated from the University of Chicago with a bachelor's degree in economics. Mr. Chiu has extensive experience and knowledge in investment banking, including capital financing, corporate restructuring for public and private companies, merger and acquisition, complex transaction structuring etc. From 2008 to 2015, Mr. Chiu worked with UBS AG in the investment banking department in its Hong Kong office, primarily focusing on advising large scale corporate clients on their capital market activities. During the aforesaid time, he had completed a number of high-profile transactions with over US\$20 billion in total transaction value. He is currently an independent non-executive director of China Fortune Financial Group Limited (stock code: 290), a company listed on the main board of the Stock Exchange.

* For identification purposes only

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the mainland (the "Mainland China") of the People's Republic of China (the "PRC"). Details of the principal activities of the Company's principal subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

A discussion and review on the business activities of the Group, including an indication of likely future development in the Group's businesses and an analysis of the Group's performance during the year using financial key performance indicators are provided in "Chairman's Statement" on pages 4 to 7 and sections headed "Business Review" and "Financial Performance" under "Management Discussion and Analysis" on pages 8 to 23 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 50 to the financial statements. Description of principal risks and uncertainties that the Group may be facing, environmental policies and performance of the Group, compliance with relevant laws and regulations which have a significant impact on the Group and relationship with stakeholders are set out in "Management Discussion and Analysis" on pages 26 to 28 of this annual report. These discussions form part of this report.

RESULTS AND DISTRIBUTIONS

The Group's profit for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 71 to 185 of this annual report.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 8 June 2020 (the "AGM"), the register of members of the Company will be closed from Tuesday, 2 June 2020 to Monday, 8 June 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group as at 31 December 2019 and for the last four financial years, as extracted from the published audited financial statements of the Company and adjusted for the change of presentation currency, is set out on page 186 of this annual report. This summary does not form part of the audited financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out in note 1 to the financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year, together with the reasons therefor, are set out in note 37 to the financial statements.

DEBENTURE ISSUED

As at 31 December 2019, the outstanding principal amount of the Perpetual Capital Instrument issued by the Company was RMB1,000,000,000 with fixed interest rate of 6.50% per annum to be payable for first three years. Upon the maturity for first three years, the Company has a right to choose to extend a further three years. Unless and until the Company chooses to repay the outstanding principal amount with accrued interest in full, the Company shall have a right of extension of the maturity date for a cycle of every three years. The holders of the instrument shall not be entitled to sell back the instrument to the Company.

As at 31 December 2019, the outstanding principal amount of the Corporate Bond issued by the Company was RMB500,000,000, with maturity date on 6 December 2022 and interest rate at 5.99% per annum. The Company shall be entitled to adjust the coupon rate of the Corporate Bond and the bondholders shall be entitled to sell back the Corporate Bond to the Company one year prior to the maturity.

The proceeds from the issuance of the Perpetual Capital Instrument and the Corporate Bond were used for repayment of certain of the Group's indebtedness and/or capital injection to the project companies and/or for the Group's general working capital.

Details of the Perpetual Capital Instrument and the Corporate Bond are included in notes 40 and 34, respectively, to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" of this report and "Share Option Scheme" in note 38 to the financial statements respectively, no equity-linked agreement was entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders as at 31 December 2019 amounted to approximately HK\$5,260.2 million.

DONATIONS

During the year ended 31 December 2019, the Group made charitable and other donations amounting to approximately HK\$268,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers accounted for less than 30% of the Group's total revenue. Purchases attributable to the Group's five largest suppliers accounted for 57% of the Group's total purchases for the year and purchases from the largest supplier accounted for 20% of the Group's purchases.

During the year, none of the Directors, or any of their close associates, or any shareholders of the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Hu Xiaoyong (*Chairman*)

Mr. Shi Xiaobei (*Appointed as Chief Executive Officer on 31 May 2019*)

Mr. Huang Weihua (*Resigned as Chief Executive Officer on 31 May 2019*)

Mr. Tan Zaixing (*Appointed as Executive Director on 26 September 2019*)

Ms. Huang Danxia (*Appointed as Executive Director on 4 September 2019*)

Mr. Wang Ye (*Resigned as Executive Director on 26 September 2019*)

Mr. Wen Hui (*Resigned as Executive Director on 4 September 2019*)

Independent Non-executive Directors

Mr. Li Fujun

Mr. Xu Honghua

Mr. Chiu Kung Chik

In accordance with article 108 of the Articles of Association, Mr. Xu Honghua and Mr. Chiu Kung Chik shall retire by rotation at the AGM and, being eligible, offer themselves for re-election. Besides, in accordance with article 112 of the Articles of Association, Ms. Huang Danxia and Mr. Tan Zaixing, shall hold office only until the first general meeting of the Company after their appointments (i.e. the AGM) and be eligible for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has duly reviewed the independence of each of these Directors. The Company considered that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and as at the date of this report all of them are still considered to be independent.

Report of the Directors

BOARD CHANGES

Since the date of the interim report of the Company for the six months ended 30 June 2019 and up to the date of this report, there have been changes to the Board as follows:–

1. Mr. Wen Hui resigned as an executive Director with effect from 4 September 2019;
2. Ms. Huang Danxia (“Ms. Huang”) was appointed as an executive Director with effect from 4 September 2019. Pursuant to the service agreement entered into between Ms. Huang and the Company, she has agreed to act as an executive Director for an initial term of 3 years. She is entitled to an annual remuneration of HK\$144,000, which is determined with reference to the prevailing market conditions, and her duties and responsibilities in the Group;
3. Mr. Wang Ye resigned as an executive Director with effect from 26 September 2019; and
4. Mr. Tan Zaixing (“Mr. Tan”) was appointed as an executive Director with effect from 26 September 2019. Pursuant to the service agreement entered into between Mr. Tan and the Company, he has agreed to act as an executive Director for an initial term of 3 years. He is entitled to an annual remuneration of HK\$144,000, which is determined with reference to the prevailing market conditions, and his duties and responsibilities in the Group.

CHANGES IN DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

After having made all reasonable enquiry, the Company is not aware of any information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the interim report of the Company for the six months ended 30 June 2019 and up to the date of this report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out on pages 42 to 44 of this annual report.

DIRECTORS’ SERVICE CONTRACTS

All executive Directors had entered into service agreements and all independent non-executive Directors had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the Articles of Association.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS’ REMUNERATION

The Directors’ fees are subject to shareholders’ approval at general meetings. Other emoluments are determined by the Board with reference to Directors’ duties, responsibilities and performance and the results of the Group as well as the recommendation of the Remuneration Committee. Save as disclosed in “Directors’ Remuneration” in note 8 to the financial statements, during the year ended 31 December 2019, none of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year. Further details of the Company’s Directors’ remuneration are set out in note 8 to the financial statements.

Further details of the Remuneration Committee are set out in the “Corporate Governance Report” on page 35 of this annual report.

EMOLUMENT POLICY

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

The Company has taken out and maintained Directors' and officers' liability insurance which provides appropriate cover for, among others, Directors and officers of the Company throughout the year.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

(i) Long positions in the shares and/or underlying shares of the Company

Name of Director	Capacity and number of shares/ underlying shares held				Total	Approximate percentage of the Company's issued share capital (Note 1)
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Hu Xiaoyong	132,780,000	–	2,291,454,285 (Note 2)	–	2,424,234,285	3.82%

Notes:

- The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 31 December 2019.
- Out of 2,291,454,285 shares, 2,285,714,285 shares and 5,740,000 shares were held by Zhihua Investments Limited and Starry Chance Investments Limited, respectively, both companies are wholly and beneficially owned by Mr. Hu Xiaoyong. Accordingly, Mr. Hu Xiaoyong is deemed to have interests in those shares of the Company under the SFO.

Report of the Directors

DISCLOSURE OF INTERESTS (CONTINUED)

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations (Continued)

(ii) Long positions in the shares and/or underlying shares of the Company's associated corporation

Name of Associated Corporation	Name of Director	Capacity in which interests are held	Registered capital held	Approximate percentage of interests (Note 1)
北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*) ("BE Wind Power")	Mr. Hu Xiaoyong	Interest of controlled corporation (Note 2)	RMB60,000,000	8.33%

Notes:

1. The approximate percentage was calculated on the basis of the registered capital of RMB720,000,000 of BE Wind Power as at 31 December 2019.
2. Such interest was held by Great First (Hong Kong) Limited, which in turn is wholly-owned by Mr. Hu Xiaoyong.

(iii) Long positions in the share options of the Company

The interests of the Directors in the share options of the Company are separately disclosed in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2013. As at 31 December 2019, there were share options relating to 1,030,000,000 shares granted by the Company, representing approximately 1.62% of the total issued shares of the Company as at the date of this report pursuant to the Share Option Scheme which were valid and outstanding.

The major terms of the Share Option Scheme are summarised as follows:

(i) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel for the development of the Group's business; to provide additional incentive to the selected qualifying participants; and to promote the success of the business of the Group.

(ii) Qualifying participants

Any employee (full-time or part-time), Director, consultant or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.

SHARE OPTION SCHEME (CONTINUED)

(iii) Maximum number of shares

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. The scheme mandate limit under the Share Option Scheme was refreshed by the ordinary resolution passed by the shareholders at the annual general meeting held on 31 May 2018 (the "2018 AGM") which enabled the grant of share options to subscribe for up to 6,352,539,705 shares, representing 10% of the shares in issue as at the date of the 2018 AGM. During the year ended 31 December 2019, share options relating to 430,000,000 shares granted have lapsed in accordance with the terms of the Share Option Scheme. As at the date of this report, the total number of shares available for issue pursuant to the Share Option Scheme was 6,782,539,705, representing approximately 10.68% of the shares in issue of the Company.

Notwithstanding the foregoing, the aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the shares in issue from time to time.

(iv) Limit for each participant

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period up to and including the date of grant to each participant must not exceed 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

(v) Option period

The period for the exercise of an option shall be determined by the Board in its absolute discretion at the time of granting an option, but in any event such period shall not exceed 10 years from the date of grant.

(vi) Acceptance and payment on acceptance

An offer for the options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer is HK\$1.00.

(vii) Subscription price

The subscription price shall be a price solely determined by the Board and notified to a qualifying participant and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the adoption date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

Under the Share Option Scheme, the Board shall be entitled at any time within 10 years between 11 June 2013 and 10 June 2023 to offer an option to any qualifying participants.

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

Details of movements in the share options granted under the Share Option Scheme during the year ended 31 December 2019 were as follows:

Name of Directors	Number of share options					As at 31 December 2019	Grant date (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)	Exercise price HK\$
	As at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/ forfeited during the year				
Executive Directors									
Hu Xiaoyong	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Huang Weihua	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Wang Ye (Resigned as an executive Director on 26 September 2019)	80,000,000	-	-	-	(80,000,000)	-	18/09/2017	18/09/2020-17/09/2027	0.199
	80,000,000	-	-	-	(80,000,000)	-	18/09/2017	18/09/2021-17/09/2027	0.199
	80,000,000	-	-	-	(80,000,000)	-	18/09/2017	18/09/2022-17/09/2027	0.199
	80,000,000	-	-	-	(80,000,000)	-	18/09/2017	18/09/2023-17/09/2027	0.199
	80,000,000	-	-	-	(80,000,000)	-	18/09/2017	18/09/2024-17/09/2027	0.199
Wen Hui (Resigned as an executive Director on 4 September 2019)	6,000,000	-	-	-	(6,000,000)	-	18/09/2017	18/09/2020-17/09/2027	0.199
	6,000,000	-	-	-	(6,000,000)	-	18/09/2017	18/09/2021-17/09/2027	0.199
	6,000,000	-	-	-	(6,000,000)	-	18/09/2017	18/09/2022-17/09/2027	0.199
	6,000,000	-	-	-	(6,000,000)	-	18/09/2017	18/09/2023-17/09/2027	0.199
	6,000,000	-	-	-	(6,000,000)	-	18/09/2017	18/09/2024-17/09/2027	0.199
Independent non-executive Directors									
Li Fujun	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Xu Honghua	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Chiu Kung Chik	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Total	1,460,000,000	-	-	-	(430,000,000)	1,030,000,000			

Notes:

- The closing price per ordinary share as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotation sheet on 15 September 2017 was HK\$0.197.
- The share options are subject to a vesting scale in five tranches of 20% each per annum starting from the third anniversary and will be fully vested on the seventh anniversary of the date of grant of 18 September 2017. Each tranche of the share options shall be exercisable on the condition that each participant has passed the performance assessment of the Company.

Save as disclosed above, no share option was granted, exercised, lapsed, cancelled or forfeited under the Share Option Scheme during the year ended 31 December 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" and "Share Option Scheme" of this report, and "Share Option Scheme" in note 38 to the financial statements, at no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the sections headed "Connected Transactions" and "Related Party Transactions" below and "Related Party Disclosures" in note 47 to the financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, the following Director(s) was/were considered to have interests in the following businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

Name of Directors	Name of companies	Nature of businesses	Nature of interests
Ms. Huang Danxia <i>(Appointed as executive Director on 4 September 2019)</i>	北京啟迪清風科技有限公司 (Beijing Tus-Wind Technology Company Limited*)	Development, construction and operation of wind power	Director
	啟迪思安清潔能源技術有限公司 (TusiAct Clean Energy Technology Company Limited*)	Development of clean energy technologies, provision of consultancy services and sales of electricity	Director
	湖南啟迪旺能新能源科技有限公司 (Hunan Tus-Wangneng New Energy Technology Company Limited*)	Production and supply of clean heat energy and development of geothermal energy	Director
	西安瑞行城市熱力發展集團有限公司 (Xian Raising Urban Heating Development Group Company Limited*)	Design, construction and operation of clean heat supply projects and provision of consultancy services	Director

Report of the Directors

Name of Directors	Name of companies	Nature of businesses	Nature of interests
Mr. Tan Zaixing <i>(Appointed as executive Director on 26 September 2019)</i>	西藏多能共拓創業投資合夥企業 (普通合夥) (Tibet Duo Neng Gong Tuo Chuang Ye Investment Partnership Corporation (General Partnership)*) ("Tibet Duo Neng")	Investment, development and operation of clean energy power-related businesses	General partner and executive partner (Note)
Mr. Wen Hui <i>(Resigned as executive Director on 4 September 2019)</i>	北京啟迪清雲能源科技有限公司 (Beijing Tus-Tsingyun Energy Technology Company Limited*)	Provision of financial services, design, construction, operation and maintenance and management of the photovoltaic power projects	Director
	北京啟迪清潔能源科技有限公司 (Beijing Tus Clean Energy Technology Company Limited*)	Solar photovoltaic systems, solar thermal systems and wind power systems	Director

Note:

Mr. Tan Zaixing was the executive partner and one of the general partners who held 19% interest in Tibet Duo Neng.

The Directors consider that such competition, if any, is neither significant nor material to the Group as a whole. Furthermore, the abovementioned Directors will fulfil their fiduciary duties in order to ensure that they will act in the best interest of the shareholders and the Company as a whole at all times. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company as disclosed above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the shares and/or underlying shares of the Company

Name of shareholders	Capacity in which shares are held	Number of shares held	Approximate percentage of the Company's issued share capital (Note 1)
Beijing Enterprises Group Company Limited ("BE Group") (Note 2)	Interest of controlled corporation	20,253,164,571	31.88%
Beijing Enterprises Holdings Limited ("BEHL") (Note 2)	Interest of controlled corporation	20,253,164,571	31.88%
Beijing Enterprises Water Group Limited ("BEWG") (Note 2)	Interest of controlled corporation	20,253,164,571	31.88%
CITIC Securities Company Limited (Notes 3(i) and (ii))	Interest of controlled corporation	15,189,873,410	23.91%
CITICPE Holdings Limited (Note 3(i))	Interest of controlled corporation	7,594,936,710	11.96%
CITIC PE Associates II, L.P. (Note 3(i))	Interest of controlled corporation	7,594,936,710	11.96%
CPEChina Fund II, L.P. (Note 3(i))	Interest held jointly with another person	7,594,936,710	11.96%
CPEChina Fund IIA, L.P. (Note 3(i))	Interest held jointly with another person	7,594,936,710	11.96%
中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd.*) ("CITIC Private Equity Funds") (Note 3(ii))	Interest of controlled corporation	7,594,936,700	11.96%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long position in the shares and/or underlying shares of the Company (Continued)

Name of shareholders	Capacity in which shares are held	Number of shares held	Approximate percentage of the Company's issued share capital (Note 1)
北京宥德投資管理中心(有限合夥) (Beijing Youde Investment Management Centre (Limited Partnership)*) ("Beijing Youde Investment") (Note 3(ii))	Interest of controlled corporation	7,594,936,700	11.96%
北京中信投資中心(有限合夥) (CITIC Private Equity Fund III (RMB)*) ("CITIC PEF III") (Note 3(ii))	Interest of controlled corporation	7,594,936,700	11.96%
清華大學 (Tsinghua University) (Note 4)	Interest of controlled corporation	4,045,000,000	6.37%
清華控股有限公司 (Tsinghua Holdings Co., Ltd.*) (Note 4)	Interest of controlled corporation	4,045,000,000	6.37%
啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*) (Note 4)	Interest of controlled corporation	4,045,000,000	6.37%
Tuspark Technology Innovation Ltd. (啟迪科創有限公司) (Note 4)	Beneficial interest	4,045,000,000	6.37%

Notes:

- The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 31 December 2019.
- BE Group is deemed to be interested in an aggregate of 20,253,164,571 shares of the Company as a result of its indirect holding of such shares through the following entities including its wholly-owned subsidiaries:

Name	Long position in the shares
Fast Top Investment Limited ("Fast Top")	20,253,164,571
BEWG	20,253,164,571
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	20,253,164,571
BEHL	20,253,164,571
Beijing Enterprises Group (BVI) Company Limited	20,253,164,571

Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 20,253,164,571 shares of the Company. BEWG was directly held as to approximately 41.13% by BE Environmental as at 31 December 2019. BE Environmental is a wholly-owned subsidiary of BEHL, which is in turn directly held as to approximately 61.96% by Beijing Enterprises Group (BVI) Company Limited (by itself and through its subsidiaries), and which is in turn wholly-owned by BE Group.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long position in the shares and/or underlying shares of the Company (Continued)

Notes: (Continued)

3. CITIC Securities Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange) is deemed to be interested in an aggregate of 15,189,873,410 shares of the Company as a result of its indirect holding of such shares through the following entities including its wholly-owned subsidiaries:

(i) Name	Long position in the shares
CTSL Green Power Investment Limited ("Green Power")	7,594,936,710
CPEChina Fund II, L.P.	7,594,936,710
CPEChina Fund IIA, L.P.	7,594,936,710
CITIC PE Associates II, L.P.	7,594,936,710
CITIC PE Funds II Limited	7,594,936,710
CITICPE Holdings Limited	7,594,936,710
CLSA Global Investments Management Limited ("CLSA Global")	7,594,936,710
CLSA B.V.	7,594,936,710
CITIC Securities International Company Limited ("CITIC Securities International")	7,594,936,710

Green Power, a company jointly-controlled by CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., beneficially holds 7,594,936,710 shares of the Company. CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. are two exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. is CITIC PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CITIC PE Associates II, L.P. is CITIC PE Funds II Limited. CITIC PE Funds II Limited is wholly-owned by CITICPE Holdings Limited, which is owned as to 35% by CLSA Global. CLSA Global is wholly-owned by CLSA B.V., which is wholly-owned by CITIC Securities International, which is in turn wholly-owned by CITIC Securities Company Limited.

(ii) Name	Long position in the shares
CTSL New Energy Investment Limited ("New Energy")	7,594,936,700
CITIC PEF III	7,594,936,700
Beijing Youde Investment	7,594,936,700
上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*)	7,594,936,700
CITIC Private Equity Funds	7,594,936,700

New Energy, a wholly-owned subsidiary of CITIC PEF III, beneficially holds 7,594,936,700 shares of the Company. CITIC PEF III is a limited partnership registered under the laws of the PRC. The general partner of CITIC PEF III is Beijing Youde Investment, a limited partnership registered under the laws of the PRC whose general partner is 上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*), a limited liability company incorporated in the PRC. 上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*) is wholly-owned by CITIC Private Equity Funds, which is in turn owned as to 35% by CITIC Securities Company Limited.

4. Tuspark Technology Innovation Ltd. (啟迪科創有限公司), a wholly-owned subsidiary of 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*), beneficially holds 4,045,000,000 shares of the Company. 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*) is directly held as to 44.92% by 清華控股有限公司 (Tsinghua Holdings Co., Ltd.*). 清華控股有限公司 (Tsinghua Holdings Co., Ltd.*) is wholly-owned by 清華大學 (Tsinghua University).

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Report of the Directors

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

CONTINUING CONNECTED TRANSACTIONS

During the year, the following transactions continued to be continuing connected transactions for the Company which are required under Chapter 14A of the Listing Rules to be disclosed in the annual report of the Company:-

(I) Leases and Licence

(i) Units 201 and 302 of BEWG Building and four carparking spaces

On 1 March 2017, Beijing Enterprises New Energy Company Limited* (北京北控光伏科技發展有限公司) (“BENE”), an indirect wholly-owned subsidiary of the Company, entered into a lease agreement (the “Beijing Lease”) with Beijing Enterprises Water (China) Investment Co., Ltd* (北控水務(中國)投資有限公司) (“BEWCI”), a wholly-owned subsidiary of BEWG, in respect of the leasing of Units 201 and 302 of BEWG Building, Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC (“BEWG Building”) as office premises and four carparking spaces in BEWG Building. The Beijing Lease was entered into for a fixed term of 3 years from 1 January 2017 to 31 December 2019 with a rental of RMB794,792.29 per month (inclusive of the management fees and other service charges) and RMB2,000 per month for the four carparking spaces.

The annual cap for the Beijing Lease for each of the three financial years ended 31 December 2019 is RMB9,561,507.48.

On 2 January 2020, BENE entered into a lease agreement with BEWCI in respect of the leasing of Units 201 and 302 of BEWG Building and four carparking spaces in BEWG Building for a fixed term of 1 year from 1 January 2020 to 31 December 2020 with a rental of RMB747,228.65 per month (inclusive of the management fees and other service charges) and RMB2,000 per month for the four carparking spaces. The annual cap under this lease agreement for the year ending 31 December 2020 is RMB8,990,743.80.

(ii) Unit 301 of BEWG Building

On 19 January 2019, BENE entered into a lease agreement (the “New Beijing Lease”) with BEWCI in respect of the leasing of Unit 301 of BEWG Building as office premises. The New Beijing Lease was entered into for a fixed term of 3 years from 1 February 2019 to 31 January 2022 with a rental of RMB170,333.30 per month (inclusive of the management fees and other service charges).

The annual caps for the New Beijing Lease for the eleven months ended 31 December 2019 is RMB1,873,666.30, each of the two financial years ending 31 December 2021 is RMB2,043,999.60 and the one month ending 31 January 2022 is RMB170,333.30.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(I) Leases and Licence (Continued)

(iii) Rooms 6706-07, 67th Floor, Central Plaza

On 30 June 2017, the Company entered into an agreement (the "Licence") with BEWG to renew the terms of a licence agreement dated 1 March 2017 for occupying and using a portion of Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (the "Hong Kong Property"), representing 30% of the total floor area of the Hong Kong Property for the period from 2 July 2017 to 1 July 2019 or the date on which BEWG ceases to be a tenant of the Hong Kong Property under the terms of the tenancy agreement entered into between BEWG and the landlord of the Hong Kong Property (the "Hong Kong Lease") applicable to the Licence, whichever is the earlier. The Company will pay BEWG a monthly fee, being the sum of: (i) HK\$101,341.80, representing 30% of the rent payable by BEWG under the Hong Kong Lease applicable to the Licence; (ii) HK\$15,442.56, representing 30% of the service charges (inclusive of the management fees, air-conditioning charges and internal office cleaning charges) payable by BEWG under the Hong Kong Lease applicable to the Licence; (iii) HK\$6,460.20, representing 30% of the coolant fees payable by BEWG; and (iv) 30% of the government rates of the Hong Kong Property payable by BEWG.

The annual caps for the Licence are (i) HK\$1,547,292.84 for the period from 2 July 2017 to 1 July 2018; and (ii) HK\$1,559,962.05 for the period from 2 July 2018 to 1 July 2019.

On 26 June 2019, the Company entered into an agreement (the "New Licence") with BEWG to renew the terms of the Licence for occupying and using a portion of the Hong Kong Property (the "Occupied Portion") for the period from 2 July 2019 to 30 June 2022 or the date on which BEWG ceases to be a tenant of the Hong Kong Property under the Hong Kong Lease applicable to the New Licence, whichever is the earlier. The Company will pay BEWG a monthly fee, being the sum of: (i) HK\$101,791.50, representing the rent payable by BEWG for the Occupied Portion under the Hong Kong Lease applicable to the New Licence; (ii) HK\$14,070.00, representing the service charges (inclusive of the management fees, air-conditioning charges and internal office cleaning charges) payable by BEWG for the Occupied Portion under the Hong Kong Lease applicable to the New Licence; (iii) HK\$6,816.00, representing the coolant fees payable by BEWG for the Occupied Portion under the Hong Kong Lease; and (iv) the government rates of the Hong Kong Property payable by BEWG for the Occupied Portion under the Hong Kong Lease.

The annual caps for the New Licence are (i) HK\$773,220.80 for the period from 2 July 2019 to 31 December 2019; (ii) HK\$1,562,646.78 for the year ending 31 December 2020; (iii) HK\$1,579,704.22 for the year ending 31 December 2021; and (iv) HK\$798,807.26 for the period from 1 January 2022 to 30 June 2022.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(I) Leases and Licence (Continued)

(iv) 3rd and 4th Floors of a building located at no. 101, Baiziwan Dongli

On 29 March 2018, BE Clean Heat Energy Company Limited* (北控清潔熱力有限公司) (formerly known as Tibet BE Clean Heat Energy Company Limited* (西藏北控清潔熱力有限公司)) (“BECH”), an indirect non wholly-owned subsidiary of the Company, entered into a lease agreement (the “Baiziwan Lease”) with BEWCI in respect of the leasing of 3rd and 4th Floors of a building located at no. 101, Baiziwan Dongli, Chaoyang District, Beijing, the PRC as office premises. The Baiziwan Lease was entered into for a fixed term of 3 years from 1 April 2018 to 31 March 2021 with a rental of RMB184,321.30 per month, exclusive of the management fees, water charges, electricity charges and other service charges of such premises.

The annual caps for the Baiziwan Lease for the nine months ended 31 December 2018 is RMB1,658,891.70, each of the two financial years ending 31 December 2020 is RMB2,211,855.60 and the three months ending 31 March 2021 is RMB552,963.90.

BEWG is the controlling shareholder of the Company. BEWCI is an associate of BEWG and therefore BEWG and BEWCI are connected persons of the Company. Accordingly, the entering into of the Beijing Lease, the New Beijing Lease, the Licence, the New Licence and the Baiziwan Lease constituted continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

(II) Power purchase agreement

On 30 June 2017, the Company and BEWG entered into the power purchase agreement (the “Power Purchase Agreement”) pursuant to which the Group will sell electricity to be generated by the distributed photovoltaic power stations in certain water plants to BEWG and its subsidiaries from 1 July 2017 to 31 December 2019 (may be renewable for another term upon mutual agreement between BEWG and the Company within one month prior to the expiry date). The annual cap amount for the electricity fees to be received by the Group in respect of the power purchase under the Power Purchase Agreement for the financial years ending 31 December 2017 (commencing from 1 July 2017), 31 December 2018 and 31 December 2019 will be RMB6,269,085, RMB12,224,715 and RMB11,919,097 respectively.

On 30 December 2019, the Company and BEWG entered into the power purchase agreement (the “New Power Purchase Agreement”) to renew the terms of the Power Purchase Agreement, pursuant to which the Group will sell electricity to be generated by the distributed photovoltaic power stations in certain water plants to BEWG and its subsidiaries from 1 January 2020 to 31 December 2022 (may be renewable for another term upon mutual agreement between BEWG and the Company within one month prior to the expiry date). The annual cap amounts for the electricity fees to be received by the Group in respect of the power purchase under the New Power Purchase Agreement for the three financial years ending 31 December 2022 will be RMB18,524,364, RMB19,031,015 and RMB18,885,741 respectively.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

BEWG is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the Power Purchase Agreement and the New Power Purchase Agreement constituted continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The above continuing connected transactions were carried out within the respective annual caps, details of which are set out in note 47 to the financial statements.

In accordance with Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive Directors who confirmed that the aforesaid continuing connected transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditor, Ernst & Young was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants.

Ernst & Young has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and an arm's length basis. Certain transactions set out in note 47 to the financial statements are connected transactions as defined under the Listing Rules and were exempt and complied with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the year are provided in the section headed "Connected Transactions" of this report.

Report of the Directors

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance of the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount (million)	Final Maturity	Specific performance obligations
23 December 2016	Finance lease facility with a financial institution	RMB241.87	December 2031	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB103.8	December 2026	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB220	December 2026	Note 2
18 September 2017	Term loan facilities with a syndicate of banks	HK\$1,780	September 2020	Note 1
28 December 2017	Term loan facility with a bank	HK\$1,000	December 2020	Note 3
10 May 2018	Term loan facility with a bank	HK\$500	May 2021	Note 1
29 May 2018	Term loan facility with banks	USD100	May 2021	Note 1
17 December 2018	Term loan facility with a bank	HK\$800	December 2022	Note 1
14 June 2019	Term loan facility with a syndicate of banks	HK\$3,000	June 2022	Note 1
25 October 2019	Term loan facility with a bank	HK\$1,000	October 2022	Note 1

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER (CONTINUED)

Notes:

- (i) BEWG does not or ceases to own, directly or indirectly, at least 25% of the beneficial shareholding carrying at least 25% of the voting rights in the Company, free from mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (each, a "Security"); (ii) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company; (iii) BEHL does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from any Security; (iv) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and does not or ceases to (a) supervise BEWG; and/or (b) have management control over BEWG; (v) BE Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security; (vi) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL and/or does not or ceases to supervise BEHL; and (vii) BE Group is not or ceases to be effectively wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality*).
- BEWG holds less than 27% of the ordinary shares of the Company directly or indirectly, or ceases to be the, direct or indirect, single largest shareholder of the Company.
- (i) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company and/or have management control over the Company; (ii) BEHL does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from Security; (iii) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and/or does not or ceases to supervise BEWG and/or have management control over BEWG; (iv) BE Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security; (v) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL, and/or does not or ceases to supervise BEHL; and (vi) BE Group is not or ceases to be wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality*).

According to the respective terms and conditions of the Agreements, the banks or the financial institutions may declare any commitment under the Agreements to be cancelled and/or declare all outstanding amounts together with interest accrued thereon and all others sums to be immediately due and payable or payable on demand for any breach of the above specific performance obligations.

Within the best knowledge of the Directors, none of the above events took place during the year ended 31 December 2019 and up to the date of approval of this annual report.

Except as disclosed above, as at 31 December 2019, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

CORPORATE GOVERNANCE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. 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 Listing Rules throughout the year ended 31 December 2019 and up to the date of this annual report.

The "Corporate Governance Report" is set out in pages 29 to 41 of this annual report.

Report of the Directors

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of Ernst & Young as auditor of the Company.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 51 to the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Board on 27 March 2020.

On behalf of the Board

Hu Xiaoyong
CHAIRMAN

Hong Kong, 27 March 2020

* For identification purposes only



To the shareholders of Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Clean Energy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 185, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

To the shareholders of Beijing Enterprises Clean Energy Group Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Purchase price allocations 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")

As further detailed in note 42 to the financial statements, the Group acquired a number of entities engaging in the Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business during the years ended 31 December 2019.

The Group engaged independent external valuers to perform the valuation of the identifiable assets acquired and liabilities assumed of the significant subsidiaries acquired.

The accounting for business combinations using the acquisition method relied on a significant amount of management's estimates and judgements in respect of the fair value measurement and allocation of the purchase price.

Related disclosures of goodwill and business combinations are included in notes 3, 17 and 42 to the financial statements.

We assessed the independence and competency of the independent external valuers engaged by the Group.

We tested the identification of assets and liabilities and assumptions used in the valuation based on our understanding of the businesses of the investees and discussion with management; involved our internal valuation experts to support us in our audit work and evaluated management's valuation methodologies and assumptions used in the purchase price allocations by (i) testing the parameters with reference to other comparable companies in the industry; and (ii) reviewing the valuation methodologies adopted for the purpose of determining the fair values of the identifiable assets acquired and liabilities assumed.

Independent Auditor's Report

To the shareholders of Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Provision for expected credit losses on trade and bills receivables, financial assets included in prepayments, deposits and other receivables and contract assets

The carrying values of the Group's trade and bills receivables; financial assets included in prepayments, deposits and other receivables; and contract assets as at 31 December 2019 amounted to HK\$4,203,537,000, HK\$5,051,769,000 and HK\$5,376,387,000, respectively. The provision for expected credit losses ("ECLs") carried as at 31 December 2019 was HK\$162,179,000.

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

Management has engaged an external specialist to assess the credit risks of the debtors and prepare the calculation of the ECLs.

The Group considers the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the ECLs. The Group also assesses whether the credit risk on the other receivables has increased significantly under the general approach.

Significant management judgements and estimates are involved in determining the ECLs.

Relevant disclosures are included in notes 3, 26, 27 and 28 to the financial statements.

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

We assessed the competence, objectivity and independence of the Group's external specialist.

We obtained and reviewed the valuation established by management and involved our internal valuation specialists to assist us to assess the methodology applied and the key assumptions and estimates adopted in ECLs calculations.

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

Independent Auditor's Report

To the shareholders of Beijing Enterprises Clean Energy Group Limited
(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

To the shareholders of Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

To the shareholders of Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHIU, Caroline Su Yuen.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

27 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
REVENUE	5	6,335,620	6,980,270
Cost of sales		(3,438,865)	(4,058,022)
Gross profit		2,896,755	2,922,248
Other income and gains, net	5	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	7	(1,210,215)	(975,170)
Share of profits and losses of:			
Joint ventures	21	(5,434)	(20,157)
Associates	22	(51,248)	7,933
PROFIT BEFORE TAX	6	1,031,631	1,537,580
Income tax expense	10	(189,545)	(159,624)
PROFIT FOR THE YEAR		842,086	1,377,956
Attributable to:			
Equity holders of the Company		682,864	1,268,645
Non-controlling interests		159,222	109,311
		842,086	1,377,956
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
Basic		HK0.96 cents	HK1.99 cents
Diluted		HK0.96 cents	HK1.99 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
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

	Notes	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	22,383,901	19,344,147
Investment properties	15	170,000	175,000
Prepaid land lease payments	16(a)	–	236,522
Goodwill	17	495,556	500,567
Operating concessions	18	1,970,397	1,894,524
Operating rights	19	934,507	994,468
Other intangible assets	20	20,270	22,030
Investments in joint ventures	21	133,395	140,959
Investments in associates	22	723,799	703,510
Financial assets at fair value through profit or loss	23	262,072	263,124
Financial asset at fair value through other comprehensive income	24	7,092	7,205
Prepayments, deposits and other receivables	28	4,631,754	3,027,822
Other tax recoverables	29	1,291,040	1,292,153
Other non-current assets	25	649,896	102,802
Deferred tax assets	36	97,726	33,818
Total non-current assets		33,771,405	28,738,651
CURRENT ASSETS			
Inventories		245,519	157,766
Contract assets	26	5,376,387	4,501,672
Trade and bills receivables	27	4,203,537	3,289,596
Prepaid land lease payments	16(a)	–	18,220
Prepayments, deposits and other receivables	28	3,236,699	2,754,169
Other tax recoverables	29	1,182,167	886,818
Restricted cash and pledged deposits	30	323,627	292,896
Cash and cash equivalents	30	3,698,835	2,768,362
Total current assets		18,420,877	14,669,499
Assets of a disposal group classified as held for sale	11	154,106	–
Total current assets		18,420,877	14,669,499
CURRENT LIABILITIES			
Trade and bills payables	31	5,563,504	4,375,776
Other payables and accruals	32	5,107,637	5,101,138
Interest-bearing bank and other borrowings	33	3,229,625	1,508,886
Finance lease payables	35	–	1,449,862
Lease liabilities	35	2,645,344	–
Income tax payables		149,564	158,595
Total current liabilities		16,695,674	12,594,257
Liabilities directly associated with the assets classified as held for sale	11	118,758	–
Total current liabilities		16,814,432	12,594,257

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
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	33	8,938,290	6,041,281
Corporate bond	34	557,047	–
Finance lease payables	35	–	13,242,491
Lease liabilities	35	12,987,864	–
Other non-current liabilities	25	1,412,218	101,987
Deferred income		129,261	232,885
Deferred tax liabilities	36	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	37	63,525	63,525
Perpetual capital instrument	40	1,139,106	1,137,776
Reserves	39	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

Hu Xiaoyong
Director

Shi Xiaobei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to equity holders of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Notes	Ordinary shares	Share premium account	Share option reserve	Special reserves	Statutory surplus reserve	Exchange fluctuation reserve	Retained earnings	Perpetual capital instrument	Total		
		HK\$'000	HK\$'000	HK\$'000 (note 38)	HK\$'000 (note 39)	HK\$'000 (note 39)	HK\$'000	HK\$'000	HK\$'000 (note 40)	HK\$'000		
At 31 December 2017		63,525	5,925,295	6,657	88,149	209,941	280,192	1,987,147	-	8,560,906	443,123	9,004,029
Effect of adoption of HKFRS 9		-	-	-	-	-	-	(22,782)	-	(22,782)	-	(22,782)
At 1 January 2018 (restated)		63,525	5,925,295	6,657	88,149	209,941	280,192	1,964,365	-	8,538,124	443,123	8,981,247
Profit for the year		-	-	-	-	-	-	1,262,184	6,461	1,268,645	109,311	1,377,956
Other comprehensive income/(loss) for the year:												
Share of other comprehensive loss of joint ventures		-	-	-	-	-	(8,175)	-	-	(8,175)	-	(8,175)
Share of other comprehensive loss of associates		-	-	-	-	-	(39,273)	-	-	(39,273)	-	(39,273)
Exchange differences related to foreign operations		-	-	-	-	-	(820,066)	-	569	(819,497)	(46,795)	(866,292)
Release upon disposal of subsidiaries	43	-	-	-	-	-	(17,767)	-	-	(17,767)	-	(17,767)
Total comprehensive income for the year		-	-	-	-	-	(885,281)	1,262,184	7,030	383,933	62,516	446,449
Acquisition of subsidiaries	42	-	-	-	-	-	-	-	-	-	226,477	226,477
Acquisition of non-controlling interests		-	-	-	4,714	-	-	-	-	4,714	(46,023)	(41,309)
Capital contributions from non-controlling equity holders		-	-	-	-	-	-	-	-	-	108,655	108,655
Disposal of partial interests in subsidiaries		-	-	-	(1,071)	-	-	-	-	(1,071)	1,071	-
Disposal of subsidiaries		-	-	-	(79,601)	(34,146)	-	113,747	-	-	-	-
Issuance of a perpetual capital instrument		-	-	-	-	-	-	-	1,130,746	1,130,746	-	1,130,746
Equity-settled share option arrangements	38	-	-	23,142	-	-	-	-	-	23,142	-	23,142
Transfer from retained profits		-	-	-	-	138,609	-	(138,609)	-	-	-	-
At 31 December 2018		63,525	5,925,295*	29,799*	12,191*	314,404*	(605,089)*	3,201,687*	1,137,776	10,079,588	795,819	10,875,407

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Notes	Attributable to equity holders of the Company										
		Ordinary shares	Share premium account	Share option reserve	Special reserves	Statutory surplus reserve	Exchange fluctuation reserve	Retained earnings	Perpetual capital instrument	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000 (note 38)	HK\$'000 (note 39)	HK\$'000 (note 39)	HK\$'000	HK\$'000	HK\$'000 (note 40)	HK\$'000	HK\$'000	HK\$'000
At 31 December 2018		63,525	5,925,295	29,799	12,191	314,404	(605,089)	3,201,687	1,137,776	10,079,588	795,819	10,875,407
Effect of adoption of HKFRS 16	2.2(a)	-	-	-	-	-	-	(51,579)	-	(51,579)	-	(51,579)
At 1 January 2019 (restated)		63,525	5,925,295	29,799	12,191	314,404	(605,089)	3,150,108	1,137,776	10,028,009	795,819	10,823,828
Profit for the year		-	-	-	-	-	-	607,670	75,194	682,864	159,222	842,086
Other comprehensive income/(loss) for the year:												
Share of other comprehensive loss of joint ventures		-	-	-	-	-	(2,130)	-	-	(2,130)	-	(2,130)
Share of other comprehensive loss of associates		-	-	-	-	-	(11,454)	-	-	(11,454)	-	(11,454)
Exchange differences related to foreign operations		-	-	-	-	-	(624,093)	-	-	(624,093)	(25,122)	(649,215)
Release upon disposal of subsidiaries	43	-	-	-	-	-	3,080	-	-	3,080	-	3,080
Total comprehensive income for the year		-	-	-	-	-	(634,597)	607,670	75,194	48,267	134,100	182,367
Capital contributions from non-controlling equity holders		-	-	-	-	-	-	-	-	-	65,888	65,888
Deemed disposal of partial interests in subsidiaries	39	-	-	-	(704,197)	-	-	-	-	(704,197)	704,197	-
Disposal of subsidiaries		-	-	-	6,063	-	-	(6,063)	-	-	-	-
Distributions paid to holders of a perpetual capital instrument	40	-	-	-	-	-	-	-	(73,864)	(73,864)	-	(73,864)
Equity-settled share option arrangements	38	-	-	7,550	-	-	-	-	-	7,550	-	7,550
Transfer from retained profits		-	-	-	-	316,884	-	(316,884)	-	-	-	-
At 31 December 2019		63,525	5,925,295*	37,349*	(685,943)*	631,288*	(1,239,686)*	3,434,831*	1,139,106	9,305,765	1,700,004	11,005,769

* These reserve accounts comprise the consolidated reserves of HK\$8,103,134,000 (2018: HK\$8,878,287,000) attributable to the holders of the ordinary shares of the Company in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,031,631	1,537,580
Adjustments for:			
Interest income	5	(112,976)	(89,908)
Gains on bargain purchase of subsidiaries	5	(9,432)	(22,704)
Losses/(gains) on disposal of interests in subsidiaries	6	1,928	(69,191)
Fair value gain on financial assets at fair value through profit or loss	5	(17,228)	(1,844)
Fair value loss on investment properties	6	5,000	–
Depreciation of property, plant and equipment	6	227,696	835,803
Depreciation of right-of-use assets recognised under property, plant and equipment	6	677,172	–
Amortisation of prepaid land lease payments	6	–	30,910
Amortisation of operating concessions	6	82,510	59,391
Amortisation of operating rights	6	49,019	34,340
Amortisation of other intangible assets	6	2,976	2,463
Equity-settled share option expenses	6	7,550	23,142
Impairment of financial assets	6	107,206	35,828
Impairment of investments in an associate	6	51,865	–
Impairment of property, plant and equipment	6	114,382	–
Finance costs	7	1,210,215	975,170
Share of losses of joint ventures		5,434	20,157
Share of losses/(profits) of associates		51,248	(7,933)
		3,486,196	3,363,204
Increase in inventories		(89,721)	(117,673)
Increase in contract assets		(949,972)	(719,441)
Increase in trade and bills receivables		(974,244)	(433,938)
Increase in prepayments, deposits and other receivables		(900,499)	(791,571)
Increase in other tax recoverables		(288,655)	(66,802)
Increase/(decrease) in trade and bills payables		1,254,388	(363,934)
Increase in other payables and accruals		302,977	862,358
Cash generated from operations		1,840,470	1,732,203
The People's Republic of China tax paid		(253,708)	(282,947)
Net cash from operating activities		1,586,762	1,449,256

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		112,976	89,908
Purchases of items of property, plant and equipment		(3,310,944)	(2,991,163)
Proceeds from disposal of items of property, plant and equipment		137	922
Addition of prepaid land lease payments	16(a)	–	(29,968)
Addition of operating concessions	18	(189,524)	(246,072)
Addition of other intangible assets	20	(1,546)	(13,550)
Addition of financial assets at fair value through profit or loss		–	(273,810)
Proceeds from disposal of financial assets at fair value through profit or loss		17,790	–
Investments in joint ventures		–	(136,866)
Investments in associates		(134,856)	(53,571)
Acquisition of subsidiaries	42	(58,540)	(867,139)
Disposal of subsidiaries	43	24,925	796,816
Increase in prepayments and deposits for purchase of property, plant and equipment		–	(445,452)
Increase in deposits for potential business acquisition		(587,319)	(849,915)
Decrease in payables in relation to development of clean energy projects		(594,038)	(1,815,637)
Decrease in time deposits with original maturity of more than three months when acquired		200,009	358,653
Decrease/(increase) in restricted cash and pledged deposits		(35,810)	186,282
Decrease in loan and advances to suppliers, customers and former shareholders in relation to acquisitions		(198,700)	–
Change in other non-current assets/liabilities and receivables from potential acquisition companies, net		93,267	–
Net cash used in investing activities		(4,662,173)	(6,290,562)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions by non-controlling equity holders		65,888	108,655
Acquisition of non-controlling interests		–	(41,309)
Increase in a financial liability from non-controlling interests	25(b)	671,141	–
Net proceeds from issuance of a corporate bond	34	557,047	–
Net proceeds from issuance of a perpetual capital instrument	40	–	1,130,746
New bank and other borrowings		5,582,762	2,003,034
Repayment of bank and other borrowings		(914,724)	(919,015)
Distribution to holders of a perpetual capital instrument		(73,864)	–
Proceeds received under lease arrangements		1,458,772	3,817,651
Principal portion of lease payments		(1,422,912)	(1,641,373)
Interest on bank and other borrowings and corporate bond paid		(500,727)	(286,399)
Interest element of lease payments		(862,383)	(762,941)

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Net cash from financing activities		4,561,000	3,409,049
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,485,589	(1,432,257)
Cash and cash equivalents at beginning of year		2,568,353	4,226,075
Effect of foreign exchange rate changes, net		(355,107)	(225,465)
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,698,835	2,568,353
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	30	3,698,835	2,768,362
Time deposits with original maturity of more than three months when acquired		–	(200,009)
Cash and cash equivalents as stated in the statement of cash flows		3,698,835	2,568,353

Notes to Financial Statements

Year ended 31 December 2019

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 address of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, the 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 People's Republic of China (the "PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*)	PRC	RMB3,800,000,000	–	100	Trading of equipment and provision of technical consultancy services in relation to the Photovoltaic Power Business
蔚縣北控新能源開發有限公司 (Yuxian Beijing Enterprises New Energy Development Company Limited*)	PRC	RMB350,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
北清清潔能源投資有限公司 (Beijing Clean Energy Investment Company Limited*)	PRC	RMB5,500,000,000	–	93.3	Investment holding
微山縣中晟清潔能源有限責任公司 (Weishan County Zhongcheng Clean Energy Company Ltd.*)	PRC	RMB50,000,000	–	84.0	Infrastructure development and operation of photovoltaic power plants
天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*)	PRC	RMB4,300,000,000	–	93.3	Investment holding

Notes to Financial Statements

Year ended 31 December 2019

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
四川北控清潔能源工程有限公司 (Sichuan Beijing Enterprises Clean Energy Engineering Limited*)	PRC	RMB550,000,000	–	93.3	Construction services and provision of technical consultancy services
安陽永歌光伏發電有限公司 (Anyang Yongge Photovoltaic Power Generation Co. Limited*)	PRC	RMB200,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
淇縣中光太陽能有限公司 (Qi County Solar Power Limited*)	PRC	RMB200,100,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
山東魯薩風電有限公司 (Shandong Lusa Wind Power Limited*)	PRC	RMB160,000,000	–	65.3	Infrastructure development and operation of wind power plants
河南日升光伏電力發展有限公司 (Henan Risheng Photovoltaic Power Development Co., Ltd.*)	PRC	RMB20,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
靖邊縣東投能源有限公司 (Jingbian Dongtou Energy Corporation Limited*)	PRC	RMB1,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
新泰北控清潔能源有限公司 (Xintai BE Clean Energy Company Limited*)	PRC	RMB200,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
榆林協合太陽能發電有限公司 (Yulin Century Concord Solar Power Co., Ltd.*)	PRC	RMB150,390,000	–	93.3	Infrastructure development and operation of photovoltaic power plants

Notes to Financial Statements

Year ended 31 December 2019

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
邢台萬陽新能源開發有限公司 (Xingtai Wanyang New Energy Development Limited*)	PRC	RMB450,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
天津富驛企業管理諮詢有限公司 (Tianjin Fuyi Enterprise Management Consulting Co., Ltd*)	PRC	RMB2,600,000,000	–	93.3	Investment holding
天津富樺企業管理諮詢有限公司 (Tianjin Fuhua Enterprise Management Consulting Co., Ltd*)	PRC	RMB3,000,000,000	–	93.3	Investment holding
青島富歡資產管理有限公司 (Qingdao Fuhuan Asset Management Co., Ltd*)	PRC	RMB20,000,000	–	100	Investment holding
西藏北控清潔能源科技發展有限公司 (Tibet Beikong Clean Energy Technology Development Company Limited*)	PRC	RMB100,000,000	–	100	Construction services, provision of technical consultancy services and investment holding
金寨金葉光伏科技有限公司 (Jinzhai Jinye Photovoltaic Technology Co., Ltd. *)	PRC	RMB50,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
北控清潔能源電力有限公司 (Beijing Enterprises Clean Energy Electricity Company Limited*)	PRC	RMB700,000,000	–	56	Investment holding
南昌縣綠川新能源有限公司 (Nanchang County Lvchuan New Energy Company Limited *)	PRC	RMB10,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants

Notes to Financial Statements

Year ended 31 December 2019

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南平煤北控清潔能源有限公司 (Henan Pingmei Beikong Clean Energy Company Limited*)	PRC	RMB1,000,000,000	–	74.5	Infrastructure development, operation of clean energy projects and investment holding
北控智慧電力工程有限公司 (Beijing Enterprises Smart Electricity Power Engineering Company Limited*)	PRC	RMB100,000,000	–	100	Construction services and provision of technical consultancy services
西藏雲北能源科技有限公司 (Tibet Yunbei Energy Technology Co., Ltd.*)	PRC	RMB200,000,000	–	100	Construction services and provision of technical consultancy services
北控清潔熱力有限公司 (BE Clean Heat Energy Company Limited*)	PRC	RMB960,000,000	–	66.3	Infrastructure development and provision of clean heat supply services
普安縣瑞輝新能源開發有限公司 (Puan County Ruihui New Energy Development Company Limited *)	PRC	RMB100,000,000	–	88.6	Infrastructure development and operation of photovoltaic power plants
興義市中弘新能源有限公司 (Xingyi Zhonghong New Energy Co., Ltd.*)	PRC	RMB1,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
中寧縣興業錦繡新能源有限公司 (Zhongning County Xingyejinxiu New Energy Co. Ltd.*)	PRC	RMB50,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*)	PRC	RMB720,000,000	–	65.3	Infrastructure development and operation of clean energy projects
西藏智北清潔能源運營有限公司 (Tibet Zhibei Clean Energy Operation Company Limited*)	PRC	RMB10,000,000	–	56	Construction services and provision of technical consultancy services
北控新能工程有限公司 (Beijing Enterprises New Energy Engineering Company Limited *)	PRC	RMB200,000,000	–	100	Construction services and provision of technical consultancy services

Notes to Financial Statements

Year ended 31 December 2019

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
寧夏永恆能源管理有限公司 (Ningxia Yongheng Energy Management Company Limited*)	PRC	RMB30,000,000	–	66.3	Infrastructure development and provision of clean heat supply services
響水恆能太陽能發電有限公司 (Xiangshui Hengneng Photovoltaic Power Co. Ltd.*)	PRC	RMB378,647,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
普安縣中弘新能源有限公司 (Puan County Zhonghong New Energy Co., Ltd.*)	PRC	RMB195,750,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
豐寧滿族自治縣北控新能源有限公司 (Fengning Manzu County Beijing Enterprises New Energy Company Limited*)	PRC	RMB100,000,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
西藏富樺能源科技有限公司 (Tibet Fuhua Energy Technology Company Limited*)	PRC	RMB100,000,000	–	93.3	Trading of equipment and provision of technical consultancy services in relation to the photovoltaic power business
北控智慧能源(凌源)有限責任公司 (Beijing Enterprises Smart Energy (Lingyuan) Company Limited*)	PRC	RMB500,000,000	–	59.7	Infrastructure development and provision of clean heat supply services
阿拉善北控新能源有限公司 (Alashan Beijing Enterprises New Energy Company Limited*)	PRC	RMB60,000,000	–	65.3	Infrastructure development and operation of wind power plants
金杰新能源股份有限公司 (Jin Jie New Energy Co. Ltd.*)	PRC	RMB60,000,000	–	60.6	Infrastructure development and operation of wind power plants
包頭市金源新能源發展有限責任公司 (Baotou Jingjie New Energy Development Company Limited*)	PRC	RMB10,000,000	–	60.6	Infrastructure development and operation of wind power plants
安澤縣北控熱力有限公司 (Anze County Beijing Enterprises Heat Energy Company Limited*, formerly known as 安澤縣炬能供熱有限公司 (Anzexian Juneng Heat Supply Ltd. *))	PRC	RMB75,000,000	–	39.8	Infrastructure development and provision of clean heat supply service

Notes to Financial Statements

Year ended 31 December 2019

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
文水縣炬能供熱有限公司 (Wenshuixian Juneng Heat Supply Ltd.*)	PRC	RMB130,000,000	–	39.8	Infrastructure development and provision of clean heat supply service
天津富中光伏發電有限公司 (Tianjing Fuzhong Photovoltaic Power Generation Company Limited*)	PRC	RMB10,000	–	93.3	Trading of equipment and provision of technical consultancy services in relation to the photovoltaic power business
寶應北控光伏發電有限公司 (Baoying Beijing Enterprises Photovoltaic Power Generation Company Limited*)	PRC	USD41,500,000	–	93.3	Infrastructure development and operation of photovoltaic power plants
Greatest Winner Limited (宏源有限公司)	Hong Kong	HK\$1	–	100	Investment holding
Harvest Sunny International Limited (富歡國際有限公司)	Hong Kong	HK\$1	–	100	Investment holding
Champion South (Hong Kong) Limited (冠南(香港)有限公司)	Hong Kong	HK\$1	–	100	Investment holding
New Channel (Hong Kong) Limited (立昌(香港)有限公司)	Hong Kong	HK\$1	–	100	Investment holding
First Master (Hong Kong) Limited (豐美(香港)有限公司)	Hong Kong	HK\$1	–	100	Investment holding
Top Cheers Industrial Limited (德昌實業有限公司)	Hong Kong	HK\$10	–	100	Property investment

During the year, the Group acquired a number of subsidiaries, and details of material transactions are set out in note 42 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes to Financial Statements

Year ended 31 December 2019

2.1 BASIS OF PREPARATION

These financial statements have 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 (the “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 as further explained in note 2.4. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

2.2 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*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's financial statements. The nature and impact of the new and revised HKFRSs are described below:

- (a) 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.

Notes to Financial Statements

Year ended 31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

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). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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.

Notes to Financial Statements

Year ended 31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Adoption of HKFRS 16 (Continued)

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 a 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, other receivables and other assets	(47,185)
Total assets	549,882
Liabilities	
Lease liabilities	15,260,167
Finance lease payables	(14,692,353)
Deferred tax liabilities	33,647
Total liabilities	601,461
Retained earnings	(51,579)

Notes to Financial Statements

Year ended 31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Adoption of HKFRS 16 (Continued)

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

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

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the qualification for certain concessionary corporate income tax rates in certain regions of the PRC. Based on the Group's tax compliance study, the Group determined that the previous adopted tax concession will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business¹</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material¹</i>

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

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

Year ended 31 December 2019

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Notes to Financial Statements

Year ended 31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, financial assets at fair value through profit or loss, financial asset at fair value through other comprehensive income and financial guarantee contracts at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, deferred tax assets, inventories, other tax recoverables, contract assets, financial assets, investment properties and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

Year ended 31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Disposal group held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Certain properties included in property, plant and equipment were in progress of application of property ownership certificates as at the end of the reporting period.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Photovoltaic and wind power plants	4% to 5%
Clean heat supply facilities	5% to 10%
Plant and machinery	10% to 20%
Motor vehicles	10%
Furniture, fixtures and equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents photovoltaic and wind power plants, and clean heat supply facilities under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to Financial Statements

Year ended 31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in an office and car parking spaces held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Any gain or loss arising from a change in the fair value of the investment properties is included in the statement of profit or loss in the year in which they arise.

Any gain or loss on the retirement or disposal of the investment properties is recognised in the statement of profit or loss in the year of the retirement or disposal.

Disposal group held for sale

A disposal group is classified as held for sale if its carrying amount will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

The disposal group (other than financial assets) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Service concession arrangements

Consideration given by the grantor

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent to the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" below.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out in "Construction contracts" and set out in "Revenue recognition" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Contracts for services" and set out in "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements (Continued)

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is to operate and maintain the facilities at a specified level of serviceability and to restore the facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to restore the facilities, except for upgrade elements, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible assets (other than goodwill)

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating concessions

Operating concessions representing the rights to operate a photovoltaic power plant and clean heat supply facilities are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 25 to 30 years.

Operating rights

Operating rights represent the rights to operate (i) certain photovoltaic and wind power plants in designated locations according to the contractual arrangements entered into between the Group's project companies and State Grid Corporation of China ("State Grid") for the sale of electricity, operating licences granted by local governments and the existing government policies on the related businesses; and (ii) certain clean heat supply facilities in designated locations according to the contractual arrangements entered into between the Group's project companies and local government authorities for the operating licences granted by local governments. The operating rights were acquired through business combinations and initially measured at fair value. Operating rights are subsequently carried at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Computer software

Computer software is stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided on the straight-line basis over its estimated useful life of 5 years.

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Year ended 31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	Over the lease terms
Land leases	Over the lease terms
Photovoltaic and wind power plants	4% to 5%
Clean heat supply facilities	5% to 10%

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) 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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

For sale and finance leaseback arrangements, the Group continues to recognise the leased assets at their previous carrying amounts and recognises the proceeds received or receivables as finance lease payables.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. Certain land payments are in the progress of application of land use right certificates as at the end of the reporting period.

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Year ended 31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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Year ended 31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when contractual payments are past due, in general, over 2 to 3 years based on historical pattern and credit risk management practices of the Group. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Simplified approach

For contract assets and trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For contract assets and trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and interest-bearing bank and other borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Notes to Financial Statements

Year ended 31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Perpetual capital instrument

The perpetual capital instrument with no contracted obligation to repay the principal or to pay any distribution is classified as part of equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provision above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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Year ended 31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of electricity, provision of clean heat supply services and trading income*

Revenue from the sale of electricity, provision of clean heat supply services and trading income is recognised at the point of time when control of the asset is transferred to the customer, generally on delivery of the electricity or goods. Payment is generally due within 30 days from date of billing for sale of electricity. For trading income, payment is generally due within 30 days to 90 days from delivery of goods. Payment in advance is normally required for provision of clean heat supply services.

(b) *Tariff adjustment*

Tariff adjustment, which represents subsidies received and receivable from the government authorities in respect of the Group's photovoltaic and wind power plant operations, is recognised at the point of time when control of the asset is transferred to the customer, generally on delivery of the electricity, and when the Group assessed that it has complied with all conditions to qualify to be registered into the Subsidy Catalogues. Payment is generally made upon registering into the Subsidy Catalogues.

(c) *Construction services*

Revenue from the provision of construction services, including construction revenue under Build-Operate-Transfer (the "BOT") contracts, is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Revenue from the construction of photovoltaic power plants and clean heat supply facilities under the terms of the BOT contracts (service concession agreements) is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in the PRC, and is recognised over time, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

The Group's entitlement to the final payment on the provision of construction services is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Notes to Financial Statements

Year ended 31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(d) *Provision of technical consultancy services*

Revenue from the provision of technical consultancy services is recognised over time when services are rendered. The services are billed based on the services performed. Payment is generally due within 30 days to 90 days from the date of billing.

(e) *Entrusted operations*

Revenue from the entrusted operations is recognised at the point in time generally upon completion of delivery of services. The services are billed based on the services performed. Payment is generally due within 30 days to 90 days from the date of billing.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract balances

(a) **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, contract assets are recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

(b) **Trade receivables**

A trade receivable represents the Group's right to an amount of consideration that is unconditional.

(c) **Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 38 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits as a movement in reserves.

Other employee benefits

Defined contribution plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme. The employer contributions vest fully once made.

Borrowing costs

Borrowing costs directly attributable to the construction in progress, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

These financial statements are presented in HK\$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Mainland China subsidiaries are currencies other than HK\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and statements of other comprehensive income are translated into HK\$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of Mainland China and overseas subsidiaries, joint ventures and associates are translated into HK\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Mainland China subsidiaries which arise throughout the year are translated into HK\$ at the weighted average exchange rates for the year.

Notes to Financial Statements

Year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions, that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out below:

Purchase price allocations of the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business

As further detailed in note 42 to the financial statements, the Group acquired a number of entities engaging in the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business during the years ended 31 December 2019 and 2018. The Group engaged independent external valuers to perform the valuation of the identifiable assets acquired and liabilities assumed of the significant subsidiaries acquired. The accounting for business combinations using the acquisition method relied on a significant amount of management's estimates and judgements in respect of the fair value measurement and allocation of the purchase price.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates, if available. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the clean energy sector, the historical default rates are adjusted.

If the historical default information is not available due to the nature of the businesses, especially those receivables related to the construction of the clean energy businesses, the Group has assessed ECLs based on risks of default and the loss given default percentage based on customers segments. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 27 and 26 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Provision for expected credit losses on bills receivable and financial assets included in prepayments, deposits and other receivables

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default, losses given default and collateral recovery, changes in which can result in different levels of allowances. The Group's expected credit loss calculations on bills receivable, deposits and other receivables are based on assumptions about risks of default and losses given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward looking estimates (such as gross domestic product, unemployment rate and market volatility) at the end of each reporting period. The Group reviews its models in the context of actual loss experience regularly and adjusts when necessary. Further details of the Group's bills receivable and deposits and other receivables, and the impairment disclosures are given in notes 27 and 28 to the financial statements, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant business units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2019 was HK\$495,556,000 (2018: HK\$500,567,000), details of which are set out in note 17 to the financial statements.

Classification of investments in limited partnerships

The Group has invested in limited partnerships as a junior limited partner. The directors of the Company assessed whether or not the Group has control, joint control or significant influence over these limited partnerships based on whether the Group has the practical ability to direct the relevant activities of these limited partnerships to affect the returns. In making the judgement, the directors considered whether the Group has the power to the relevant activities of the limited partnerships (e.g., investment and operation decisions, approval of budget, etc.) in the limited partnerships' partners meeting, investment committee meetings or any other management committee (if any), and the Group's exposure to variable returns from its involvement in the limited partnerships. After the assessment, the directors concluded that the Group has joint control over the limited partnerships. Further details of the investments in the limited partnerships are set out in note 21 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of another operating segment. Particulars of the Group's reportable operating segments are summarised as follows: (a) the construction-related business segment engages in the provision of construction services and trading and technical consultancy services of clean energy business and (b) the operation of clean energy projects segment engages in the investment and development of photovoltaic power business, wind power business and provision of clean heat supply services.

The Group has expanded significantly in the past few years mainly through acquisitions on businesses of sales of electricity and provision of clean heat supply services. During the year, management has separately reviewed and evaluated for management-related purposes under the above-mentioned segments.

Notes to Financial Statements

Year ended 31 December 2019

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment results represent the profit earned by each segment before corporate and other unallocated income and expenses, finance costs and share of profits and losses of joint ventures and associates. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

Year ended 31 December 2019

	Construction-related business HK\$'000	Operation of clean energy projects HK\$'000	Total HK\$'000
Segment revenue	4,190,098	4,165,655	8,355,753
Intersegment sales	(2,020,133)	–	(2,020,133)
	2,169,965	4,165,655	6,335,620
Segment results	752,382	1,640,915	2,393,297
Elimination of intersegment results			(365,243)
Corporate and other unallocated income and expenses, net			(439,014)
Share of losses of:			
Joint ventures			(5,434)
Associates			(51,248)
Finance costs (other than interest on lease liabilities)			(500,727)
Profit before tax			1,031,631
Other segment information:			
Capital expenditure*			
– Operating segments	8,144	3,264,256	3,272,400
– Amount unallocated			3,135
			3,275,535
Depreciation and amortisation			
– Operating segments	–	991,686	991,686
– Amount unallocated			47,687
			1,039,373
Impairment of financial assets**			
– Operating segments	63,201	41,236	104,437
– Amount unallocated			2,769
			107,206
Impairment of investment in an associate			
– Amount unallocated			51,865
Impairment of property, plant and equipment			
– Operating segments	–	114,382	114,382

* Capital expenditure consists of additions to property, plant and equipment, operating concessions and other intangible assets, excluding assets from the acquisition of subsidiaries.

** These amounts are recognised in the consolidated statement of profit or loss and included impairment against contract assets, trade and bills receivables and financial assets included in prepayments, deposits and other receivables.

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Year ended 31 December 2019

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	Construction- related business HK\$'000	Operation of clean energy projects HK\$'000	Total HK\$'000
Segment revenue	4,877,958	3,348,484	8,226,442
Intersegment sales	(1,246,172)	–	(1,246,172)
	3,631,786	3,348,484	6,980,270
Segment results	1,200,645	1,169,347	2,369,992
Elimination of intersegment results			(189,247)
Corporate and other unallocated income and expenses, net			(344,542)
Share of profits/(losses) of:			
Joint ventures			(20,157)
Associates			7,933
Finance costs (other than interests on lease liabilities)			(286,399)
Profit before tax			1,537,580
Other segment information:			
Capital expenditure#			
– Operating segments	20,269	3,321,104	3,341,373
– Amount unallocated			13,550
			3,354,923
Depreciation and amortisation			
– Operating segments	–	919,113	919,113
– Amount unallocated			43,794
			962,907
Impairment of financial assets##			
– Operating segments	25,932	9,393	35,325
– Amount unallocated			503
			35,828

Capital expenditure consists of additions to property, plant and equipment, operating concessions, prepaid land lease payments and other intangible assets, excluding assets from the acquisition of subsidiaries.

These amounts are recognised in the consolidated statement of profit or loss and included impairment against contract assets, trade and bills receivables and financial assets included in prepayments, deposits and other receivables.

No segment assets and liabilities are disclosed as they are not regularly provided to the chief operating decision makers.

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Year ended 31 December 2019

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the assets of the Group are located in Mainland China. Accordingly, in the opinion of the Directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

Information about major customers

During the years ended 31 December 2019 and 2018, there was no single external customer which contributed over 10% of the Group's total revenue for the years.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue is as follows:

	2019 HK\$'000	2018 HK\$'000
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
	6,335,620	6,980,270

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 HK\$'000	2018 HK\$'000
By timing of revenue recognition:		
Transferred at a point in time	4,275,074	4,005,110
Transferred over time	2,060,546	2,975,160
Total revenue from contracts with customers	6,335,620	6,980,270

Notes to Financial Statements

Year ended 31 December 2019

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at end of the reporting period are as follows:

	2019 HK\$'000	2018 HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	830,716	1,530,912
After one year	259,134	124,527
	1,089,850	1,655,439

The remaining performance obligations expected to be recognised in more than one year related to construction services that are to be satisfied within two years. All the remaining performance obligations are expected to be recognised within one year.

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

	2019 HK\$'000	2018 HK\$'000
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 (note 42)	9,432	22,704
Gains on disposal of interests in subsidiaries (note 43)	–	69,191
Fair value gain on financial assets at fair value through profit or loss	17,228	1,844
Others	3,078	2,105
	278,333	334,059

[Ⓔ] Other interest income represents interest income from advances to independent third parties and related parties for the development and operation of clean energy businesses, further details of which are set out in notes 22 and 28 to the financial statements.

[#] The government grants mainly represent government subsidies and value-added tax refunds. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to Financial Statements

Year ended 31 December 2019

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 HK\$'000	2018 HK\$'000
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 [⊗]	14	227,696	835,803
Depreciation of right-of-use assets recognised under property, plant and equipment [⊗]	14	677,172	–
Amortisation of prepaid land lease payments*	16	–	30,910
Amortisation of operating concessions*	18	82,510	59,391
Amortisation of operating rights*	19	49,019	34,340
Amortisation of other intangible assets [#]	20	2,976	2,463
Minimum lease payments under operating leases		–	58,683
Lease payments not included in the measurement of lease liabilities	16(c)	12,235	–
Auditor's remuneration		5,207	5,138
Employee benefit expenses (excluding Directors' remuneration (note 8)):			
Wages and salaries		313,499	419,897
Equity-settled share option expenses, net	38	7,550	23,142
Pension scheme contributions		20,397	25,781
Welfare and other expenses		23,530	34,129
		364,976	502,949
Foreign exchange differences, net		4,190	9,495
Impairment of financial assets: **			
Impairment of contract assets**	26, 50	6,731	17,465
Impairment of trade and bills receivables**	27, 50	20,474	8,195
Impairment of financial assets included in prepayments, deposits and other receivables**	50	80,001	10,168
Impairment of investment in an associate**	22	51,865	–
Impairment of property, plant and equipment**	14	114,382	–
Fair value loss on investment properties**	15	5,000	–
Losses/(gains) on disposal of subsidiaries, net**/^	43	1,928	(69,191)
Gains on bargain purchase of subsidiaries [^]	42	(9,432)	(22,704)

[⊗] Depreciation for the year amounting to HK\$860,157,000 and HK\$44,711,000 (2018: HK\$794,472,000 and HK\$41,331,000) are included in "Cost of sales" and "Administrative expenses" on the face of the consolidated statement of profit or loss, respectively.

* Amortisation of prepaid land lease payments, operating concessions and operating rights for the year are included in "Cost of sales" on the face of the consolidated statement of profit or loss.

[#] Amortisation of other intangible assets for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

** Impairment of financial assets, impairment of investment in an associate, impairment of property, plant and equipment, fair value loss on investment properties and losses on disposal of subsidiaries, net for the year are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

[^] Gains on bargain purchase of subsidiaries and gains on disposal of subsidiaries are included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

Notes to Financial Statements

Year ended 31 December 2019

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK\$'000	2018 HK\$'000
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	–
Total interest expenses	1,363,110	1,049,340
Less: Interest capitalised	(152,895)	(74,170)
	1,210,215	975,170

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 HK\$'000	2018 HK\$'000
Fees	1,152	1,152
Other emoluments:		
Salaries, allowances and benefits in kind	2,185	1,992
Performance related bonuses*	12,703	2,911
Equity-settled share option expense#	21,322	23,142
Pension scheme contributions	108	60
	36,318	28,105
Total	37,470	29,257

* Certain Directors are entitled to bonus payments which are determined by reference to the performance of the Group and the Directors' individual performance.

The equity-settled share option expense for the year ended 31 December 2019 represented the costs of equity-settled transactions before reversal of the costs of equity-settled transactions. Certain costs of equity-settled transactions recognised in prior periods were reversed during the year ended 31 December 2019 due to lapse of share options of 30,000,000 and 400,000,000 ordinary shares of the Company by resignation of Mr. Wen Hui and Mr. Wang Ye, executive Directors, on 4 September 2019 and 26 September 2019, respectively (note 38).

Notes to Financial Statements

Year ended 31 December 2019

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	Fees	Equity-settled share option expenses	Total remuneration
	HK\$'000	HK\$'000	HK\$'000
2019			
Mr. Li Fujun	144	159	303
Mr. Xu Honghua	144	159	303
Mr. Chiu Kung Chik	144	159	303
	432	477	909
2018			
Mr. Li Fujun	144	159	303
Mr. Xu Honghua	144	159	303
Mr. Chiu Kung Chik	144	159	303
	432	477	909

Notes to Financial Statements

Year ended 31 December 2019

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive Directors

The fees paid to executive Directors during the year were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Equity-settled share option expenses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2019						
Mr. Hu Xiaoyong	144	–	12,025 ⁺	9,510	–	21,679
Mr. Shi Xiaobei [§]	144	–	–	–	–	144
Mr. Huang Weihua [^]	144	765	–	6,340	51	7,300
Mr. Tan Zaixing [*]	38	715	678	–	57	1,488
Ms. Huang Danxia [@]	47	–	–	–	–	47
Mr. Wang Ye [#]	106	705	–	4,673	–	5,484
Mr. Wen Hui ^π	97	–	–	322	–	419
	720	2,185	12,703	20,845	108	36,561
2018						
Mr. Hu Xiaoyong	144	–	26	9,510	–	9,680
Mr. Shi Xiaobei	144	–	–	–	–	144
Mr. Huang Weihua	144	966	1,013	6,340	60	8,523
Mr. Wang Ye	144	1,026	1,872	6,340	–	9,382
Mr. Wen Hui	144	–	–	475	–	619
	720	1,992	2,911	22,665	60	28,348

[§] appointed as the chief executive officer of the Company on 31 May 2019

[^] resigned as the chief executive officer of the Company on 31 May 2019

[@] appointed as an executive Director on 4 September 2019

^{*} appointed as an executive Director on 26 September 2019

^π resigned as an executive Director on 4 September 2019

[#] resigned as an executive Director on 26 September 2019

⁺ During the year, the Board approved a discretionary bonus payment for the years of 2016 to 2018 to Mr. Hu Xiaoyong in the amount of HK\$12 million, which was determined with reference to the Group's operating results, his individual performance and his contribution to the Group in the years of 2016 to 2018.

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Year ended 31 December 2019

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive Directors (Continued)

During the year ended 31 December 2017, share options were granted to the Directors in respect of their services to the Group under the share option scheme of the Company, details of which are set out in note 38 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined at the date of grant and the amounts included in the financial statements for the current year is included in the above Directors' disclosures.

During the year ended 31 December 2019, a total of 430,000,000 share options granted were lapsed following resignation of Mr. Wang Ye and Mr. Wen Hui on 26 September 2019 and 4 September 2019, respectively.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 4 Directors (2018: 3), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining 1 (2018: 2) non-Director highest paid employees are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits in kind	1,128	1,428
Performance related bonuses	–	3,103
Pension scheme contributions	14	132
	1,142	4,663

The number of non-Directors highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	2
	1	2

Notes to Financial Statements

Year ended 31 December 2019

10. 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 HK\$'000	2018 HK\$'000
Current – Mainland China		
Charge for the year	235,638	168,565
Underprovision in prior years	30,002	–
Deferred (note 36)	(76,095)	(8,941)
Total tax expense for the year	189,545	159,624

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2019		2018	
	HK\$'000	%	HK\$'000	%
Profit before tax	1,031,631		1,537,580	
Tax expense at the statutory tax rate	297,184	28.9	399,560	26.0
Tax concession	(271,940)	(26.3)	(324,025)	(21.1)
Withholding tax on the distributable profits of the Group's PRC subsidiaries	14,849	1.4	–	–
Adjustments in respect of current tax of previous periods	30,002	2.9	–	–
Profit or loss attributable to joint ventures and associates	14,171	1.4	3,056	0.2
Income not subject to tax	(12,435)	(1.2)	(11,132)	(0.7)
Expenses not deductible for tax	92,625	8.9	59,977	3.9
Tax losses not recognised as deferred tax assets	25,089	2.4	32,188	2.1
Tax expense at the Group's effective tax rate	189,545	18.4	159,624	10.4

Share of tax expense attributable to joint ventures amounting to HK\$12,000 (2018: HK\$15,000) and the share of tax credit attributable to associates amounting to HK\$9,374,000 (2018: share of tax attributable to associates amounting to HK\$1,475,000) are included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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11. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Pursuant to an agreement entered into between Tianjin Clean Energy Investment Company Limited* (“Tianjin Clean Energy”) (as the seller), and a third party (as the purchaser) dated 30 July 2019, Tianjin Clean Energy agreed to dispose of 二連浩特北控宏暉能源有限公司 (Erenhot Beikong Honghui Energy Co. Ltd.*), the 70% owned Tianjin Clean Energy’s subsidiary, to the third party for a consideration of RMB19,151,000 (equivalent to HK\$21,422,000).

As the transaction was not completed as at 31 December 2019, Erenhot Beikong Honghui Energy Co. Ltd.* was classified as a disposal group held for sale.

The major classes of assets and liabilities of the Group’s subsidiary classified as held for sale as at 31 December 2019 are as follows:

	Notes	2019 HK\$’000
Assets:		
Property, plant and equipment	14	123,567
Prepayments, deposits and other receivables	(a)	27,318
Other tax recoverables		3,221
Assets classified as held for sale		154,106
Liabilities:		
Trade payables		(1,063)
Other payables and accruals	(b)	(99,124)
Income tax payable		(18,571)
Liabilities directly associated with the assets classified as held for sale		(118,758)
Net assets directly associated with the disposal group		35,348

Notes:

(a) At 31 December 2019, there were other receivables of HK\$27,256,000 due from the Group’s subsidiary included in “Prepayments, deposits and other receivables”.

(b) At 31 December 2019, there were other payables of HK\$96,354,000 due to the Group’s subsidiary included in “Other payables and accruals”.

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12. DIVIDENDS

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

13. 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 HK\$'000	2018 HK\$'000
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)
Profit used in the basic and diluted earnings per share calculations	607,670	1,262,184
	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
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculations	63,525,397,057	63,543,793,462
Basic earnings per share	HK0.96 cents	HK1.99 cents
Diluted earnings per share	HK0.96 cents	HK1.99 cents

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14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets					Owned assets									Sub-total	Total
	Properties	Land leases	Photovoltaic and wind power plants	Clean heat supply facilities	Sub-total	Buildings	Leasehold improvements	Photovoltaic and wind power plants	Clean heat supply facilities	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
31 December 2019																
At 1 January 2019																
Cost (as restated)	-	-	-	-	-	302,367	8,179	17,682,602	507,583	40	13,680	36,910	2,276,335	20,827,696	20,827,696	
Accumulated depreciation (as restated)	-	-	-	-	-	(43,815)	(2,050)	(1,393,047)	(31,076)	(24)	(4,077)	(9,460)	-	(1,483,549)	(1,483,549)	
Net carrying amount (as restated)	-	-	-	-	-	258,552	6,129	16,289,555	476,507	16	9,603	27,450	2,276,335	19,344,147	19,344,147	
At 31 December 2018, net of accumulated depreciation	-	-	-	-	-	258,552	6,129	16,289,555	476,507	16	9,603	27,450	2,276,335	19,344,147	19,344,147	
Effect of HKFRS 16 (note 2.2(a))	334,151	517,658	14,132,097	448,865	15,432,771	-	-	(14,132,097)	(448,865)	-	-	-	-	(14,580,962)	851,809	
At 1 January 2019 (restated)	334,151	517,658	14,132,097	448,865	15,432,771	258,552	6,129	2,157,458	27,642	16	9,603	27,450	2,276,335	4,763,185	20,195,956	
Additions	10,034	136,281	18,439	9,838	174,592	9,330	5,662	60,700	856	32	8,144	39,850	2,931,614	3,056,188	3,230,780	
Impairment (note 6)	-	-	-	-	-	-	-	-	-	-	-	-	(114,382)	(114,382)	(114,382)	
Disposals	-	-	-	-	-	-	-	-	-	-	(16)	(121)	-	(137)	(137)	
Acquisition of subsidiaries (note 42)	10,482	22,913	207,881	-	241,276	-	-	199,605	9,003	-	34	11,825	52,139	272,606	513,882	
Depreciation provided during the year	(23,037)	(26,658)	(584,305)	(43,172)	(677,172)	(25,921)	(2,036)	(179,351)	(3,634)	(10)	(967)	(15,777)	-	(227,696)	(904,868)	
Disposal of subsidiaries (note 43)	-	-	-	-	-	-	-	-	-	-	-	(25)	(23,518)	(23,543)	(23,543)	
Transfer to assets of a disposal group classified as held for sale (note 11)	-	-	-	-	-	-	-	-	-	-	(72)	-	(123,495)	(123,567)	(123,567)	
Transfers	-	-	162,394	225,490	387,884	-	-	1,173,240	-	-	-	-	(1,561,124)	(387,884)	-	
Exchange realignment	(11,033)	(20,620)	(218,618)	(9,673)	(259,944)	(2,268)	(141)	(70,601)	(518)	-	(251)	(914)	(55,583)	(130,276)	(390,220)	
At 31 December 2019, net of accumulated depreciation	320,597	629,574	13,717,888	631,348	15,299,407	239,693	9,614	3,341,051	33,349	38	16,475	62,288	3,381,986	7,084,494	22,383,901	
At 31 December 2019:																
Cost	343,317	655,865	15,250,100	702,745	16,952,027	308,821	13,654	3,933,274	38,704	71	21,443	87,189	3,381,986	7,785,142	24,737,169	
Accumulated depreciation	(22,720)	(26,291)	(1,532,212)	(71,397)	(1,652,620)	(69,128)	(4,040)	(592,223)	(5,355)	(33)	(4,968)	(24,901)	-	(700,648)	(2,353,268)	
Net carrying amount	320,597	629,574	13,717,888	631,348	15,299,407	239,693	9,614	3,341,051	33,349	38	16,475	62,288	3,381,986	7,084,494	22,383,901	

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings HK\$'000	Leasehold improvements HK\$'000	Photovoltaic and wind power plants HK\$'000	Clean heat supply facilities HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 December 2018									
At 1 January 2018:									
Cost	68,145	8,579	15,186,640	236,320	180	9,528	20,038	810,215	16,339,645
Accumulated depreciation	(12,535)	(1,204)	(746,764)	(3,550)	(24)	(4,208)	(3,599)	-	(771,884)
Net carrying amount	55,610	7,375	14,439,876	232,770	156	5,320	16,439	810,215	15,567,761
At 1 January 2018, net of accumulated depreciation	55,610	7,375	14,439,876	232,770	156	5,320	16,439	810,215	15,567,761
Additions	131,419	-	86,489	42,376	-	5,303	14,966	2,784,780	3,065,333
Disposals	-	-	-	-	(139)	(618)	(165)	-	(922)
Acquisition of subsidiaries (note 42)	109,896	-	2,568,803	240,136	-	1,366	4,951	182,503	3,107,655
Depreciation provided during the year	(31,990)	(915)	(765,436)	(29,036)	-	(1,174)	(7,252)	-	(835,803)
Disposal of subsidiaries (note 43)	-	-	(452,208)	-	-	(76)	(82)	-	(452,366)
Transfers	-	-	1,365,474	14,924	-	-	-	(1,380,398)	-
Exchange realignment	(6,383)	(331)	(953,443)	(24,663)	(1)	(518)	(1,407)	(120,765)	(1,107,511)
At 31 December 2018, net of accumulated depreciation	258,552	6,129	16,289,555	476,507	16	9,603	27,450	2,276,335	19,344,147
At 31 December 2018:									
Cost	302,367	8,179	17,682,602	507,583	40	13,680	36,910	2,276,335	20,827,696
Accumulated depreciation	(43,815)	(2,050)	(1,393,047)	(31,076)	(24)	(4,077)	(9,460)	-	(1,483,549)
Net carrying amount	258,552	6,129	16,289,555	476,507	16	9,603	27,450	2,276,335	19,344,147

At 31 December 2019, certain of the Group's property, plant and equipment with net carrying amounts of HK\$558,530,000 (2018: HK\$170,455,000) and HK\$13,790,706,000 (2018: HK\$8,844,091,000) were also pledged to secure certain interest-bearing bank and other borrowings and lease arrangements (notes 33(b)(iii) and 35(d)(ii)), respectively.

For the year ended 31 December 2019, the Directors considered that certain property, plant and equipment amounted to HK\$93,741,000 were subject to impairment losses because these projects have encountered unexpected delays and were suspended. In addition, as a result of the reclassification of a construction-in-progress to disposal group held for sale, the Group has written down the carrying value of the asset by HK\$20,641,000 to HK\$123,567,000 (note 11).

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15. INVESTMENT PROPERTIES

	2019 HK\$'000	2018 HK\$'000
Carrying amount at 1 January	175,000	175,000
Fair value loss on revaluation (note 6)	(5,000)	–
Carrying amount at 31 December	170,000	175,000

Notes:

- (a) The Group's investment properties consist of an office floor and 4 car parking spaces in Hong Kong and were revalued on 31 December 2019 based on valuations performed by an independent professionally qualified valuer. Each year, the Group's senior management decides which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has ongoing discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.
- (b) Fair value hierarchy disclosure

The fair value of the Group's investment properties was measured using significant unobservable inputs (Level 3 of fair value hierarchy) as defined in HKFRS 13. A reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy is as follows

	Office floor and parking spaces HK\$'000
Carrying amount at 1 January 2018, 31 December 2018 and 1 January 2019	175,000
Loss from a fair value adjustment recognised in other operating expenses, net in profit or loss	(5,000)
Carrying amount at 31 December 2019	170,000

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties:

Valuation technique	Significant unobservable inputs	Weighted average input	
Direct comparison method	Price per square feet	As at 31 December 2019	As at 31 December 2018
		Office floor: HK\$17,844 per square feet	Office floor: HK\$18,400 per square feet
		Car parking space:	Car parking space:
		HK\$1,700,000 per space	HK\$1,750,000 per space

The valuation of the investment properties was based on the direct comparison method by reference to comparable market transactions. A significant increase (decrease) in the estimated rental value per annum in isolation would result in a significant increase (decrease) in the fair value of the properties.

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16. LEASES

The Group as a lessee

The Group has lease contracts for various items including buildings, land leases, photovoltaic and wind power plants and clean heat supply facilities. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 1 to 30 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have the lease terms of 25 years. Leases of photovoltaic and wind power plants and clean heat supply facilities generally have lease terms between 1 and 15 years.

(a) Prepaid land lease payments (before 1 January 2019)

	Notes	HK\$'000
Carrying amount at 1 January 2018		196,420
Additions		29,968
Acquisition of subsidiaries	42	73,131
Disposal of subsidiaries	43	(66)
Amortisation provided in profit or loss during the year	6	(30,910)
Exchange realignment		(13,801)
Carrying amount at 31 December 2018		254,742
Current portion		(18,220)
Non-current portion		236,522

Note: Upon adoption of HKFRS 16 on 1 January 2019, prepaid land lease payments were reclassified as right-of-use assets. Details of the adoption of HKFRS 16 are set out in note 2.2 to these consolidated financial statements.

(b) Lease liabilities

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 50 to the financial statements.

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16. LEASES (CONTINUED)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK\$'000
Interest on lease liabilities	34,819
Depreciation charge of right-of-use assets	677,172
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales and administrative expenses)	12,235
Total amount recognised in profit or loss	724,226

(d) The total cash outflow for leases and future cash outflows relating to short-term leases are disclosed in notes 44 and 46(c), respectively, to the financial statements.

17. GOODWILL

	Notes	2019 HK\$'000	2018 HK\$'000
Cost and net carrying amount:			
At 1 January		500,567	339,287
Acquisition of subsidiaries	42	5,422	187,991
Disposal of subsidiaries	43	(2,555)	–
Exchange realignment		(7,878)	(26,711)
At 31 December		495,556	500,567

17. GOODWILL (CONTINUED)

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is separated into the investment, development, construction, operation and management of (i) the Photovoltaic Power Business and the Wind Power Business; and (ii) the Clean Heat Supply Business.

	2019 HK\$'000	2018 HK\$'000
Carrying amount of goodwill		
Photovoltaic Power Business and the Wind Power Business	404,185	410,593
Clean Heat Supply Business	91,371	89,974
	495,556	500,567

The recoverable amounts have been determined by reference to business valuations performed by the independent professionally qualified valuers, using cash flow projections which are based on financial forecast approved by senior management covering a period up to 20 years for the Wind Power Business, and up to 25 years for the Photovoltaic Power Business and the Clean Heat Supply Business, based on the assumption that the sizes of the operations remain constant.

Key assumptions used in estimations of the recoverable amounts

The following describes each key assumption adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill:

Photovoltaic Power Business and Wind Power Business

- Budgeted revenue
 - The budgeted revenue is based on the projected electricity sales volume and the latest electricity selling prices and tariff charges as issued by the National Development and Reform Commission of the PRC applicable to the respective projects.
- Budgeted gross margin
 - The basis used to determine the value assigned to the budgeted gross margin is the weighted average gross margin of 66.9% (2018: 66.1%) achieved in the year immediately before the budget year with reference to the respective projects, and the expected market development.
- Discount rate
 - The pre-tax discount rate of 11.5% (2018: 11.4%) is used and reflects specific risks of the respective units (group of cash-generating units), and is determined by reference to the discount rates for similar industries.

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17. GOODWILL (CONTINUED)

Key assumptions used in estimations of the recoverable amounts (Continued)

Photovoltaic Power Business and Wind Power Business (Continued)

- Business environment
 - There will be no major changes in the existing political, legal and economic conditions in Mainland China.

The determination of the recoverable amount of the Photovoltaic Power Business and the Wind Power Business cash-generating units (group of cash-generating units) was particularly sensitive to changes in the discount rate for the year ended 31 December 2019. An increase of 0.5% (2018: 0.5%) in the discount rate adopted would result in the reduction of the recoverable amount of HK\$775 million (2018: HK\$729 million).

Clean Heat Supply Business

- Budgeted revenue
 - The budgeted revenue is based on the projected area for heat supply and the heat supply sales unit price.
- Budgeted gross margin
 - The basis used to determine the value assigned to the budgeted gross margin is the weighted average gross margin of 29.2% (2018: 28.3%) achieved in the year immediately before the budget year with reference to the respective projects, and the expected market development.
- Discount rate
 - The pre-tax discount rate of 13.6% (2018: 13.7%) is used and reflects specific risks of the respective units (group of cash-generating units), and is determined by reference to the discount rates for similar industries.
- Business environment
 - There will be no major changes in the existing political, legal and economic conditions in Mainland China.

The determination of the recoverable amount of the Clean Heat Supply Business cash-generating units (group of cash-generating units) was particularly sensitive to changes in the following key assumptions for the year ended 31 December 2019:

- An increase of 0.5% (2018: 0.5%) in the discount rate adopted would result in the reduction of the recoverable amount of HK\$108 million (2018: HK\$112 million).
- An increase of 0.5% (2018: 0.5%) in the cost inflation of clean heat materials would result in the reduction of the recoverable amount of HK\$201 million (2018: HK\$185 million).

In the opinion of the Directors, any reasonably possible change in any of the above assumptions would not cause the cash-generating units' recoverable amounts to fall below their carrying amounts.

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18. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into certain service concession arrangements with governmental authorities in Mainland China on a Build-Operate-Transfer (the "BOT") basis in respect of its Photovoltaic Power Business and Clean Heat Supply Business. These service concession arrangements generally involve the Group as an operator (i) constructing photovoltaic power plants and clean heat supply facilities (collectively, the "Facilities") for those arrangements on a BOT basis; and (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 25 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through specific pricing mechanisms. The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the terms of the Service Concession Periods.

Each of these service concession arrangements is governed by a contract and, where applicable, supplemental agreements entered into between the Group and the relevant governmental authority in Mainland China setting out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations imposed on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Period, and/or arrangements for arbitrating disputes.

At 31 December 2019, the Group had 1 and 4 (2018: 1 and 4) service concession arrangements in the operation on the Photovoltaic Power Business and the Clean Heat Supply Business, respectively, with the respective governmental authorities in Mainland China, and a summary of the major terms of these service concession arrangements is set out as follows:

Name of company as operator	Name of project	Location	Name of grantor	Type of service concession arrangement	Service concession period
Xintai BE Clean Energy Company Limited*	新泰市採煤沉陷區 光伏領跑技術 基地100MW項目 (A 100MW project in the advanced photovoltaic technology demonstration base in the coal mining subsidence area of Xintai City*)	Xintai City, Shandong Province, the PRC*	新泰市人民政府 (Xintai City People's Government*)	BOT on sale of photovoltaic power	25 years from 2017 to 2042
山西北控綠威環能科技有限公司 (Shanxi BE Lvwei Huanneng Technology Company Limited*)	山西興縣燃氣供熱項目 (A natural gas heat supply project in Xing County, Shanxi Province*)	Xing County, Lvliang City, Shanxi Province, the PRC*	興縣住房保障和 城鄉建設管理局 (Xing County Housing Protection and Urban-Rural Development Administration*)	BOT on natural gas heat supply services	30 years from 2017 to 2047

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18. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Name of company as operator	Name of project	Location	Name of grantor	Type of service concession arrangement	Service concession period
Anze County Beijing Enterprises Heat Energy Company Limited*	山西省臨汾市安澤縣城區集中供熱項目 (A centralised city heat supply project in Anze County, Linfen City, Shanxi Province*)	Anze County, Linfen City, Shanxi Province, the PRC*	安澤縣人民政府 (Anze County People's Government*)	BOT on clean heat supply	30 years from 2017 to 2047
Wenshuixian Juneng Heat Supply Ltd.*	山西省呂梁市文水縣城市集中供熱項目 (A centralised city heat supply project in Wenshui County, Lvliang City, Shanxi Province*)	Wenshui County, Lvliang City, Shanxi Province, the PRC*	文水縣人民政府 (Wenshui County People's Government*)	BOT on clean heat supply	30 years from 2014 to 2044
長子縣炬能供熱有限公司/ 長子縣利通供熱有限公司 (Changzixian Juneng Heat Supply Ltd.*/Changzixian Litong Heat Supply Ltd.*)	山西省長治市長子縣城區集中供熱項目 (A centralised city heat supply project in Changzi County, Changzhi City, Shanxi Province*)	Changzi County, Changzhi City, Shanxi Province, the PRC*	長子縣人民政府 (Changzi County People's Government*)	BOT on clean heat supply	30 years from 2015 to 2045

Pursuant to the service concession agreements entered into by the Group, the Group is granted the rights to use the property, plant and equipment of the Facilities and the related land, which are generally registered under the names of the relevant companies in the Group during the Service Concession Periods, but the Group is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods.

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18. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

As further explained in the accounting policy for “Service concession arrangements” set out in note 2.4 to the financial statements, the rights to operate the Facilities are stated at cost less accumulated amortisation and any accumulated impairment losses, and are accounted for as intangible assets (i.e. operating concessions). The following is the summarised information of the operating concessions with respect to the Group’s service concession arrangements:

	Notes	2019 HK\$'000	2018 HK\$'000
At 1 January:			
Cost		1,951,215	1,060,563
Accumulated amortisation		(56,691)	–
Net carrying amount		1,894,524	1,060,563
At 1 January		1,894,524	1,060,563
Additions		189,524	246,072
Acquisition of subsidiaries	42	–	746,482
Amortisation provided during the year	6	(82,510)	(59,391)
Exchange realignment		(31,141)	(99,202)
At 31 December		1,970,397	1,894,524
At 31 December:			
Cost		2,107,575	1,951,215
Accumulated amortisation		(137,178)	(56,691)
Net carrying amount		1,970,397	1,894,524

At 31 December 2019, concession rights of the Group included in operating concessions with an aggregate carrying amount of HK\$1,152,223,000 (2018: HK\$1,026,846,000) were pledged to secure certain lease liabilities under finance lease arrangements of the Group (note 35(d)(iv)).

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19. OPERATING RIGHTS

Operating rights represent the rights to operate (i) certain photovoltaic and wind power plants in designated locations according to the contractual arrangements entered into between the Group's project companies and State Grid Corporation of China ("State Grid") for the sale of electricity, operating licences granted by governmental authorities in Mainland China and the existing government policies on the related businesses; and (ii) certain clean heat supply facilities in designated locations according to the contractual arrangements entered into between the Group's project companies and governmental authorities in Mainland China for the operating licences granted by relevant governmental authorities. The operating rights were acquired through business combinations and initially measured at fair value.

	Notes	2019 HK\$'000	2018 HK\$'000
At 1 January:			
Cost		1,050,387	540,660
Accumulated amortisation		(55,919)	(23,778)
Net carrying amount		994,468	516,882
At 1 January		994,468	516,882
Acquisition of subsidiaries	42	4,012	564,329
Amortisation provided during the year	6	(49,019)	(34,340)
Exchange realignment		(14,954)	(52,403)
At 31 December		934,507	994,468
At 31 December:			
Cost		1,037,895	1,050,387
Accumulated amortisation		(103,388)	(55,919)
Net carrying amount		934,507	994,468

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20. OTHER INTANGIBLE ASSETS

	Notes	Computer software	
		2019 HK\$'000	2018 HK\$'000
At 1 January:			
Cost		50,781	9,713
Accumulated amortisation		(28,751)	(962)
Net carrying amount		22,030	8,751
At 1 January		22,030	8,751
Additions		1,546	13,550
Acquisition of subsidiaries	42	–	3,314
Amortisation provided during the year	6	(2,976)	(2,463)
Disposal of a subsidiary	43	(3)	–
Exchange realignment		(327)	(1,122)
At 31 December		20,270	22,030
At 31 December:			
Cost		51,506	50,781
Accumulated amortisation		(31,236)	(28,751)
Net carrying amount		20,270	22,030

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Year ended 31 December 2019

21. INTERESTS IN JOINT VENTURES

	Notes	2019 HK\$'000	2018 HK\$'000
Investments in joint ventures:			
Share of net assets	(a), (b)	133,395	140,959
Due from a joint venture, included in non-current assets	(c)	116,622	118,477
Due from joint ventures, included in current assets	(d)	360,396	323,963
	28	477,018	442,440
Total interests in joint ventures		610,413	583,399

Notes:

- (a) In 2017, the Group (as a general partner) entered into a partnership agreement (the "CR BE (Shantou) Partnership Agreement") with a senior limited partner and several investors (as general partners or junior limited partners) in relation to the establishment and management of a limited partnership, 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)*, "CR BE (Shantou)") which primarily invests in photovoltaic power projects in the PRC.

Pursuant to the CR BE (Shantou) Partnership Agreement, the aggregate capital commitment of the limited partnership was RMB1.5 billion. As at 31 December 2019, the total investment contributed by the Group and other partners in the limited partnership amounted to RMB43 million and RMB515 million, respectively (31 December 2018: RMB43 million and RMB1,115 million, respectively).

The senior limited partner is entitled to preferential returns based on its actual capital contribution.

In connection with the limited partnership, the Group and one of the general partners made undertakings to the senior limited partner and other partners on a joint and several basis, to procure (i) each of their outstanding capital contribution to the limited partnership as at the end of the limited partnership; and (ii) the distributions to be payable by the limited partnership to each of the other partners (collectively the "CR BE (Shantou) Guarantee"). The CR BE (Shantou) Guarantee is borne by the Group and that other general partner on a 65:35 basis.

The Group has engaged an independent professionally qualified valuer to measure the fair value of the CR BE (Shantou) Guarantee provided by the Group. In the opinion of the Directors, the fair value of the CR BE (Shantou) Guarantee is not material that no separate disclosure is made.

As all the significant relevant activities of the limited partnership require unanimous consent from the members of the investment committee (of which the Group is entitled to nominate two out of five members of the investment committee), the limited partnership is accounted for as a joint venture.

Further details of the limited partnership are set out in the Company's announcements dated 29 June 2017 and 28 July 2017.

Notes to Financial Statements

Year ended 31 December 2019

21. INTERESTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

- (b) In 2017, the Group (as a junior limited partner) entered into a partnership agreement (the "BE Suyin Partnership Agreement") with a senior limited partner and two investors (as a general partner and a junior limited partner) in relation to the establishment and management of a limited partnership, 北京北控蘇銀股權投資管理中心(有限合伙) (Beijing BE Suyin Equity Investment Management Centre (Limited Partnership)*, "Beijing BE Suyin") which primarily invests in clean energy projects in the PRC.

Pursuant to the BE Suyin Partnership Agreement, the aggregate capital commitment of the limited partnership was approximately RMB1 billion. As at 31 December 2019, the total investment contributed by the Group and other partners in the limited partnership amounted to RMB41 million and RMB169 million, respectively (31 December 2018: RMB41 million and RMB169 million, respectively).

The senior limited partner is entitled to preferential returns based on its actual capital contribution.

In connection with the limited partnership, the Group and another junior limited partner made undertakings to the senior limited partner on a joint and several basis, to procure (i) its outstanding capital contribution to the limited partnership as at the end of the limited partnership; and (ii) the preferential returns to be payable by the limited partnership to it (collectively the "BE Suyin Guarantee"). The BE Suyin Guarantee is borne by the Group and the other junior limited partner on a 65:35 basis.

The Group has engaged an independent professionally qualified valuer, to measure the fair value of the BE Suyin Guarantee provided by the Group. In the opinion of the Directors, the fair value of the BE Suyin Guarantee is not material that no separate disclosure is made.

As all the significant relevant activities of the limited partnership require unanimous consent from all investors, the limited partnership is accounted for as a joint venture.

Further details of the limited partnership are set out in the Company's announcement dated 9 August 2017.

- (c) The amount due from a joint venture included in non-current assets as at 31 December 2019 and 2018 represented tariff adjustment receivables in relation to the operation of a photovoltaic power plant in the PRC.
- (d) The amounts due from joint ventures included in current assets as at 31 December 2019 and 2018 are unsecured, interest-free and have no fixed terms of repayment. There was no recent history of default and past due amounts for advances to the joint ventures. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

In the opinion of the Directors, the joint ventures were not individually material to the Group in the current and prior years. Hence, no disclosure of their separate financial information has been made.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 HK\$'000	2018 HK\$'000
Share of the joint ventures' loss for the year	(5,434)	(20,157)
Share of the joint ventures' total comprehensive loss	(7,564)	(28,332)
Aggregate carrying amount of the Group's investments in joint ventures	133,395	140,959

Notes to Financial Statements

Year ended 31 December 2019

22. INTERESTS IN ASSOCIATES

	Notes	2019 HK\$'000	2018 HK\$'000
Investments in associates:			
Share of net assets, listed		660,914	575,256
Share of net assets, unlisted		114,036	128,254
		774,950	703,510
Due from associates, included in current assets	(a), 28	163,462	130,536
		938,412	834,046
Impairment	(b)	(51,151)	–
Total interests in associates		887,261	834,046

Notes:

(a) Included in the amounts due from associates as at 31 December 2019 were advances to an associate of RMB87,360,000 (equivalent to HK\$97,718,000) (2018: RMB87,360,000 (equivalent to HK\$99,273,000)) in aggregate, which were unsecured, bore interest at fixed rates ranging from 6.525% to 9% per annum and were repayable on demand. Other than the above advances, the amounts due from associates included in current assets as at 31 December 2019 and 2018 were unsecured and interest-free, and have no fixed terms of repayment. There was no recent history of default and past due amounts for advance to the associate. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

(b) Impairment testing of investment in an associate

The recoverable amount of the investment has been determined based on its value in use less costs of disposal estimated using the income approach. The value in use measurement is categorised as level 3. The recoverable amount was determined based on financial budgets covering a five-year period approved by senior management and adopted a terminal growth rate of 3.0% beyond the fifth year. The pre-tax discount rate applied to cash flow projections is 11.7%.

Assumptions were used in the estimation of value in use less costs of disposal of the associate for the year ended 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

Sales growth rates and budgeted gross margins – Based on expected market development and management experience in the industry.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the associate.

During the year ended 31 December 2019, an impairment loss of HK\$51,865,000 (2018: Nil) has been provided as the recoverable amount of the investment was less than the carrying amount of the investment. The impairment loss arose as a result of the less than satisfactory past and expected performance of the associate.

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Year ended 31 December 2019

22. INTERESTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(c) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 HK\$'000	2018 HK\$'000
Share of the associates' profit/(loss) for the year	(51,248)	7,933
Share of the associates' total comprehensive loss	(62,702)	(31,340)
Impairment of investment in an associate (note 6)	(51,865)	–
Aggregate carrying amount of the Group's investments in associates	723,799	703,510
Market value of the Group's listed investment	473,322	314,047

In the opinion of the Directors, the associates were not individually material to the Group in the current and prior years. Hence, no disclosure of their separate financial information has been made.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$'000	2018 HK\$'000
Unlisted investments, at fair value	262,072	263,124

The above unlisted investments represent the investments in an asset management fund and a private equity fund in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

24. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK\$'000	2018 HK\$'000
Financial asset at fair value through other comprehensive income		
Unlisted equity investment, at fair value	7,092	7,205

The above unlisted equity investment represents certain subordinated units held by the Group in a trust scheme and was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature. In connection with the trust scheme, the Group and another holder of the subordinated units agreed to provide the guarantee in favour of the trust scheme in respect of the repayment obligations of the independent borrowers for all amounts payable by the borrowers under the loan agreements entered into between the trust scheme and the independent borrowers (the "Guarantee"). Details of the trust scheme are set out in the Company's announcement dated 10 August 2017.

The Group has engaged an independent professionally qualified valuer to measure the fair value of the Guarantee. In the opinion of the Directors, the fair value of the Guarantee is not material that no separate disclosure is made.

Notes to Financial Statements

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25. OTHER NON-CURRENT ASSETS AND OTHER NON-CURRENT LIABILITIES

	Notes	2019 HK\$'000	2018 HK\$'000
Other non-current assets	(a)	649,896	102,802
Other non-current liabilities			
Other non-current liabilities	(a)	741,077	101,987
A financial liability of an option to non-controlling interests	(b)	671,141	–
		1,412,218	101,987

Notes:

- (a) Other non-current assets/liabilities represent the cost of equipment/contracted selling price of equipment delivered to third party project companies under certain equipment sales arrangements for photovoltaic and wind power plants development, and there are possibilities that those third party project companies would be acquired by the Group subsequently.

In addition, as at 31 December 2018, the Group's contractual obligations to purchase the remaining equipment amounted to HK\$9,028,000.

- (b) Included in the other non-current liabilities of the Group as at 31 December 2019 was a financial liability at amortised cost for an option (the "Option") granted to non-controlling interests under which the non-controlling interests shall have the right to request certain of the Group's subsidiaries to repurchase the equity interests in a Group's subsidiary held by the non-controlling interests at any time after the occurrence of certain events. Further details of the Option are set out in the Company's announcement dated 27 December 2019.

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Year ended 31 December 2019

26. CONTRACT ASSETS

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

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 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.
- (c) The movements in the loss allowance for impairment of contract assets are as follows:

	2019 HK\$'000	2018 HK\$'000
At beginning of year	23,877	7,205
Impairment losses (note 6)	6,731	17,465
Exchange realignment	(353)	(793)
At end of year	30,255	23,877

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the groupings of various customer segments with similar loss patterns (i.e., customer type).

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2019	2018
Expected credit loss rate	0.56%	0.53%
Gross carrying amount (HK\$'000)	5,406,642	4,525,549
Expected credit losses (HK\$'000)	30,255	23,877

Notes to Financial Statements

Year ended 31 December 2019

27. 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	805,617	711,821
	4,242,896	3,308,885
Less: Impairment	(39,359)	(19,289)
	4,203,537	3,289,596

Notes:

- (a) 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 ranging 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.

- (b) Certain subsidiaries engaging in the operation of clean energy businesses have pledged trade receivables to secure certain bank borrowings (note 33(b)(ii)) and finance lease arrangements (note 35(d)(iii)).
- (c) An ageing analysis of 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 HK\$'000	2018 HK\$'000
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

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Year ended 31 December 2019

27. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) (Continued)

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 HK\$'000	2018 HK\$'000
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

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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019:

	Current	Past due				Total
		Less than 6 months	7 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate	0.28%	0.40%	1.49%	2.59%	3.99%	1.49%
Gross carrying amount (HK\$'000)	699,051	580,982	240,183	828,332	226,419	2,574,967
Expected credit losses (HK\$'000)	1,990	2,301	3,576	21,464	9,027	38,358

As at 31 December 2018:

	Current	Past due				Total
		Less than 6 months	7 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate	0.06%	0.16%	1.47%	2.48%	3.74%	0.97%
Gross carrying amount (HK\$'000)	662,927	480,344	385,214	342,453	100,322	1,971,260
Expected credit losses (HK\$'000)	414	777	5,646	8,493	3,754	19,084

For bills receivable, impairment analysis is performed at each reporting date by considering the probability of default of comparable companies. The measurement of impairment is a function of the probability of default, loss given default and the exposure at default. A loss allowance of HK\$1,001,000 (2018: HK\$205,000) was provided for bills receivable as at 31 December 2019.

Notes to Financial Statements

Year ended 31 December 2019

27. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(d) The movements in the Group's loss allowance for expected credit losses of trade and bills receivables during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
At beginning of year	19,289	11,467
Impairment losses (note 6)	20,474	8,195
Exchange realignment	(404)	(373)
At end of year	39,359	19,289

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2019 HK\$'000	2018 HK\$'000
Prepayments	(a)	2,816,684	1,865,624
Deposits and other receivables	(b)	4,503,854	3,357,207
Due from joint ventures	21	477,018	442,440
Due from associates	22	163,462	130,536
Less: Impairment		7,961,018 (92,565)	5,795,807 (13,816)
Portion classified as current assets		7,868,453	5,781,991
Non-current portion		(3,236,699)	(2,754,169)
		4,631,754	3,027,822

Notes:

(a) The Group's prepayments as at 31 December 2019 included, inter alia, prepayments of HK\$2,762,388,000 (2018: HK\$1,669,559,000) for the purchase of equipment for photovoltaic and wind power plant projects and clean heat supply facilities, of which, an aggregate amount of HK\$1,383,656,000 (2018: HK\$1,004,281,000) related to prepayments for the purchase of equipment for self-constructed plants and facilities and was classified as a non-current asset.

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28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

- (b) The Group's deposits and other receivables as at 31 December 2019 included, inter alia, the following:
- (i) Investment/bidding deposits of HK\$527,660,000 (2018: HK\$1,271,515,000) in aggregate paid to independent third parties in the PRC for potential acquisition of clean energy projects. The deposits were classified as non-current assets;
 - (ii) Advances of HK\$1,000,195,000 and HK\$34,829,000 (2018: HK\$572,745,000 and HK\$56,851,000) provided to independent third parties and a related party, 北京科諾偉業科技股份有限公司 (Beijing Corona Science & Technology Co., Ltd.*), respectively that are engaging in the development and operation of clean energy businesses. The advances were generally secured, bore interest at rates ranging from 8% to 24% per annum (2018: 4.35% to 10% per annum), and were repayable on demand. The balances were classified as current assets. Interest income of HK\$1,826,000 from Beijing Corona Science & Technology Co., Ltd.* were recognised during the year ended 31 December 2019; and
 - (iii) Refundable security deposits under finance lease arrangements of HK\$548,406,000 (2018: HK\$363,182,000). The deposits were classified as non-current assets.

An impairment analysis is performed, where applicable, at each reporting date by considering the probability of default of comparable companies. As at 31 December 2019, the probability of default applied ranged from 0.18% to 13.41% (2018: 0.07% to 10.25%) and the loss given default was estimated to be 61.64% (2018: 60%).

29. OTHER TAX RECOVERABLES

Other tax recoverables mainly represent the net value-added tax paid by the Group for the construction of photovoltaic and wind power plants and clean heat supply facilities which will be utilised and offset against the value-added tax payable for the sale of electricity and provision of clean heat supply services after the commencement of operation of the plants and facilities.

30. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND PLEDGED DEPOSITS

	2019 HK\$'000	2018 HK\$'000
Restricted cash and pledged bank deposits	323,627	292,896
Cash and bank balances	3,693,902	2,318,795
Time deposits	4,933	449,567
Total cash and bank balances	4,022,462	3,061,258
Less: Restricted cash and pledged bank deposits (note)	(323,627)	(292,896)
Cash and cash equivalents	3,698,835	2,768,362

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30. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND PLEDGED DEPOSITS (CONTINUED)

Note:

The Group's restricted cash and bank balances as at 31 December 2019 included cash restricted due to litigations of RMB62,531,000 (equivalent to HK\$69,945,000) (2018: Nil). The Group's pledged bank deposits as at 31 December 2019 and 2018 included (i) the bank deposits of RMB65,271,000 (equivalent to HK\$73,010,000) (2018: RMB257,748,000 (equivalent to HK\$292,896,000)) which were pledged to secure certain banking facilities in the form of bills payable (note 31) granted to the Group as at 31 December 2019 (2018: in the form of bills payable granted to the Group); and (ii) the bank deposits of RMB161,521,000 (equivalent to HK\$180,672,000) (2018: Nil) to secure a bank borrowing amounted to HK\$173,378,000 of the associate of the Group.

At the end of the reporting period, the carrying amounts of the Group's total cash and bank balances are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK\$	126,911	118,187
RMB	3,881,179	2,929,239
Other currencies	14,372	13,832
	4,022,462	3,061,258

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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31. 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 HK\$'000	2018 HK\$'000
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
	5,563,504	4,375,776

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 were 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 (note 30).

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32. OTHER PAYABLES AND ACCRUALS

	Notes	2019 HK\$'000	2018 HK\$'000
Deposits received		45,229	46,002
Other payables	(a)	4,307,341	4,582,297
Accruals		66,879	117,554
Contract liabilities	(b)	688,188	355,285
		5,107,637	5,101,138

Notes:

- (a) Other payables are non-interest-bearing and are normally settled within three months. The Group's other payables as at 31 December 2019 included, inter alia, the following:
- (i) an aggregate amount of HK\$1,137,431,000 (2018: HK\$1,629,162,000) of outstanding considerations payable and debt assumed by the Group in respect of the acquisitions of subsidiaries, which are due to certain independent third parties during the year. The debts assumed balances mainly represented construction costs payable by the acquired companies and, according to the debt settlement agreements entered into between the Group and counterparties, the debts originally owed by the acquired subsidiaries were assumed by the Group upon acquisitions. The amounts are repayable according to the time schedules as stipulated in the debt settlement agreements and the last repayments of each assumed liability are usually repayable within 1 year of the acquisition; and
 - (ii) an aggregate amount of HK\$2,607,382,000 (2018: HK\$2,373,109,000) due to certain contractors arising from the construction and purchase of equipment of photovoltaic and wind power plants, and clean heat supply facilities.
- (b) Details of contract liabilities are as follows:

	31 December 2019 HK\$'000	31 December 2018 HK\$'000	1 January 2018 HK\$'000
Contract liabilities	688,188	355,285	–

Contract liabilities include short-term advances received to deliver construction services amounting to HK\$688,188,000 as at 31 December 2019 (31 December 2018: HK\$355,285,000). The increase in contract liabilities in 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.

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33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Bank and other loans:		
Secured	2,839,344	1,525,583
Unsecured	9,328,571	6,024,584
Total bank and other borrowings	12,167,915	7,550,167
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand (note (d))	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
Total bank and other borrowings	12,167,915	7,550,167
Portion classified as current liabilities	(3,229,625)	(1,508,886)
Non-current portion	8,938,290	6,041,281

Notes:

- (a) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
HK\$	8,043,867	4,867,902
RMB	3,342,170	1,902,134
US\$	781,878	780,131
	12,167,915	7,550,167

- (b) Certain of the Group's bank loans are secured by:

- (i) guarantees given by the Company and/or its subsidiaries;
- (ii) pledges over trade receivables of certain subsidiaries with an aggregate amount of HK\$180,545,000 (2018: HK\$30,651,000) as at 31 December 2019 (note 27(b)); and/or
- (iii) pledges over the Group's property, plant and equipment with an aggregate carrying amount of HK\$558,530,000 (2018: HK\$170,455,000) as at 31 December 2019 (note 14).

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33. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

- (c) 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%).
- (d) As at 31 December 2019, bank loans with an aggregate principal amount of HK\$135,000,000 (2018: Nil) 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.
- (e) Loan agreements of certain bank loans of the Group in an aggregate carrying amount of HK\$8,825,744,000 (2018: HK\$5,648,033,000) as at 31 December 2019 include covenants imposing specific performance obligations on substantial beneficial owners of the Company, among which the following events would constitute an event of default on the loan facilities:
- (i) In relation to the facilities dated 18 September 2017, 10 May 2018, 29 May 2018, 17 December 2018, 14 June 2019 and 25 October 2019:
- (1) Beijing Enterprises Water Group Limited ("BEWG") does not or ceases to own, directly or indirectly, at least 25% of the beneficial shareholding carrying at least 25% of the voting rights in the Company, free from mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (each, a "Security");
 - (2) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company;
 - (3) Beijing Enterprises Holdings Limited ("BEHL") does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from any Security;
 - (4) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and does not or ceases to (a) supervise BEWG; and/or (b) have management control over BEWG;
 - (5) Beijing Enterprises Group Company Limited ("BE Group") does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security;
 - (6) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL and/or does not or ceases to supervise BEHL; and
 - (7) BE Group is not or ceases to be effectively wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality*).

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Year ended 31 December 2019

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(e) (Continued)

(ii) In relation to a facility dated 28 December 2017:

- (1) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company and/or have management control over the Company;
- (2) BEHL does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from Security;
- (3) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and/or does not or ceases to supervise BEWG and/or have management control over BEWG;
- (4) BE Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security;
- (5) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL, and/or does not or ceases to supervise BEHL; and
- (6) BE Group is not or ceases to be wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality*).

Within the best knowledge of the Directors, none of the above events took place during the year and as at the date of approval of these financial statements.

34. CORPORATE BOND

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

A corporate bond with an aggregate principal amount of RMB500,000,000 (equivalent to HK\$557,047,000) 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.

Notes to Financial Statements

Year ended 31 December 2019

35. LEASE LIABILITIES/FINANCE LEASE PAYABLES Lease liabilities presenting under HKFRS 16

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

The carrying amount of lease liabilities and the movements during the year are as follows:

	Note	2019 Lease liabilities HK\$'000	2018 Finance lease payables HK\$'000
Carrying amount at 1 January		15,260,167	11,178,623
New leases		1,605,087	–
Addition of new finance lease		–	3,817,651
Additions as a result of acquisition of subsidiaries	42	217,012	2,113,641
Accretion of interest recognised during the year		862,383	762,941
Payments		(2,285,295)	(2,404,314)
Exchange realignment		(26,146)	(776,189)
Carrying amount as 31 December		15,633,208	14,692,353
Analysed into:			
Current portion		2,645,344	1,449,862
Non-current portion		12,987,864	13,242,491

Notes to Financial Statements

Year ended 31 December 2019

35. LEASE LIABILITIES/FINANCE LEASE PAYABLES (CONTINUED)

Lease liabilities presenting under HKFRS 16 (Continued)

Disclosures of the lease liabilities as at 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Lease liabilities		
Within one year	2,645,344	–
In the second year	2,043,377	–
In the third to fifth years, inclusive	6,167,215	–
Beyond five years	4,777,272	–
Total lease liabilities	15,633,208	–
Portion classified as current liabilities	(2,645,344)	–
Non-current portion	12,987,864	–

Finance lease payables presenting under HKAS 17

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

Notes to Financial Statements

Year ended 31 December 2019

35. LEASE LIABILITIES/FINANCE LEASE PAYABLES (CONTINUED)

Finance lease payables presenting under HKAS 17 (Continued)

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	Present value of minimum lease payments 2018
	HK\$'000	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	5,293,293	4,780,195
Total minimum finance lease payments	18,251,727	<u>14,692,353</u>
Future finance charges	(3,559,374)	
Total net finance lease payables	14,692,353	
Portion classified as current liabilities	(1,449,862)	
Non-current portion	<u>13,242,491</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 2.2 to these consolidated financial statements.
- (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) All of the finance lease arrangements are denominated in RMB.

Notes to Financial Statements

Year ended 31 December 2019

35. LEASE LIABILITIES/FINANCE LEASE PAYABLES (CONTINUED)

Finance lease payables presenting under HKAS 17 (Continued)

- (d) 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 with an aggregate carrying amount of HK\$13,790,706,000 as at 31 December 2019 (2018: HK\$8,844,091,000) (note 14);
 - (iii) pledges over trade receivables of certain subsidiaries with an aggregate amount of HK\$222,349,000 (2018: HK\$162,842,000) as at 31 December 2019 (note 27(b));
 - (iv) certain concession rights of the Group with a carrying amount of HK\$1,152,223,000 (2018: HK\$1,026,846,000) as at 31 December 2019 (note 18); and
 - (v) pledges over the Group's equity interests in certain subsidiaries.
- (e) The finance lease agreements in respect of certain finance lease arrangements as at 31 December 2019 include conditions imposing specific performance obligations on the Company, among which the following events would constitute events of default on the finance lease payables:
- (i) if BEWG holds less than 27% of the ordinary shares of the Company, directly or indirectly; and
 - (ii) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company.

Within the best knowledge of the Directors, none of the above events took place during the year and as at the date of approval of these financial statements.

36. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position are as follows:

	2019 HK\$'000	2018 HK\$'000
Deferred tax assets	97,726	33,818
Deferred tax liabilities	(347,401)	(319,842)
	(249,675)	(286,024)

Notes to Financial Statements

Year ended 31 December 2019

36. DEFERRED TAX (CONTINUED)

The components of deferred tax assets and liabilities and their movements during the year are as follows:

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Temporary differences related to service concession arrangements HK\$'000	Right-of-use assets and lease liabilities HK\$'000	Other temporary differences HK\$'000	Net deferred tax assets/(liabilities) HK\$'000
At 1 January 2018	(128,594)	(18,442)	–	7,156	(139,880)
Acquisition of subsidiaries (note 42)	(114,353)	(55,338)	–	–	(169,691)
Net deferred tax credited/(charged) to profit or loss during the year	8,758	(4,145)	–	4,328	8,941
Exchange realignment	11,513	3,690	–	(597)	14,606
At 31 December 2018	(222,676)	(74,235)	–	10,887	(286,024)
Effect of adoption of HKFRS 16	–	–	(33,647)	–	(33,647)
At 1 January 2019 (restated)	(222,676)	(74,235)	(33,647)	10,887	(319,671)
Acquisition of subsidiaries (note 42)	(947)	–	(1,423)	–	(2,370)
Net deferred tax credited/(charged) to profit or loss during the year	10,960	(5,440)	4,304	66,271	76,095
Exchange realignment	2,961	(1,688)	(500)	(4,502)	(3,729)
At 31 December 2019	(209,702)	(81,363)	(31,266)	72,656	(249,675)

Deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$4,253,292,000 (2018: HK\$3,544,393,000) as at 31 December 2019.

The Group also has tax losses arising in Mainland China of HK\$182,813,000 (2018: HK\$122,554,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. In the opinion of the Directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

Notes to Financial Statements

Year ended 31 December 2019

37. SHARE CAPITAL

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

38. SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to a resolution passed on 11 June 2013 for the primary purpose of attracting and retaining the best available personnel, providing additional incentives to employees (full-time or part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners, service providers or substantial shareholders (the "Eligible Participants") of the Group and promoting the success of the business of the Group, which will remain in force for a period of ten years commencing on the adoption date and shall expire on 10 June 2023, subject to early termination provisions contained in the Share Option Scheme. The Board may grant options to the Eligible Participants to subscribe for shares in the Company subject to the terms of the Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Further, the aggregate number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Notes to Financial Statements

Year ended 31 December 2019

38. SHARE OPTION SCHEME (CONTINUED)

Options granted must be taken up within 7 days inclusive of the day on which an offer was made, upon payment of HK\$1.00 by the grantee. Options may be exercised at any time for a period determined by its Directors which shall not be later than 10 years from the date of grant. The exercise price of the share options shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the higher of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of the grant of the options, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share of the Company on the date of grant.

The following share options were outstanding under the Share Option Scheme during the year:

	2019		2018	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.199	1,460,000	0.199	1,460,000
Forfeited during the year	0.199	(430,000)	–	–
At 31 December	0.199	1,030,000	0.199	1,460,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

	Number of options	Exercise prices HK\$ per share	Exercise periods
31 December 2019	206,000,000	0.199	18 September 2020 to 17 September 2027
	206,000,000	0.199	18 September 2021 to 17 September 2027
	206,000,000	0.199	18 September 2022 to 17 September 2027
	206,000,000	0.199	18 September 2023 to 17 September 2027
	206,000,000	0.199	18 September 2024 to 17 September 2027
31 December 2018	292,000,000	0.199	18 September 2020 to 17 September 2027
	292,000,000	0.199	18 September 2021 to 17 September 2027
	292,000,000	0.199	18 September 2022 to 17 September 2027
	292,000,000	0.199	18 September 2023 to 17 September 2027
	292,000,000	0.199	18 September 2024 to 17 September 2027

38. SHARE OPTION SCHEME (CONTINUED)

Note: Share options to subscribe for 1,490,000,000 ordinary shares of the Company were granted to the Directors on 18 September 2017 under the Share Option Scheme, details of which are set out in the Company's announcement dated 18 September 2017. Apart from (i) the forfeiture of share options to subscribe for 30,000,000 ordinary shares of the Company by Mr. Shi Xiaobei, an executive Director, on 25 September 2017 and (ii) the lapse of share options to subscribe for 30,000,000 and 400,000,000 ordinary shares of the Company by Mr. Wen Hui and Mr. Wang Ye, the executive Directors, due to their resignation in 2019 respectively, none of the share options of the Company was exercised, cancelled, forfeited, or lapsed, and the number of outstanding share options of the Company under the Share Option Scheme as at 31 December 2019 was 1,030,000,000 (2018: 1,460,000,000).

The fair value of the share options granted during the year ended 31 December 2017 was HK\$103,421,000 (HK\$0.071 each), of which the Group recognised a share option expense of HK\$7,550,000 (2018: HK\$23,142,000) during the year ended 31 December 2019.

The fair value of equity-settled share options granted during the year ended 31 December 2017 was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2017
Dividend yield (%)	0.0000%
Expected volatility (%)	52.0520%
Risk-free interest rate (%)	1.4590%
Expected life of options (year)	10
Forfeiture rate (%)	8.8889%

The expected life of the options is the time to maturity of the options granted under the Share Option Scheme. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 1,030,000,000 share options (2018: 1,460,000,000) outstanding under the Share Option Scheme, which represented approximately 1.6% (2018: 2.3%) of the ordinary shares of the Company in issue as at 31 December 2019 and the date of approval of these financial statements. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,030,000,000 additional ordinary shares (2018: 1,460,000,000) of the Company and additional share capital of HK\$1,030,000 (2018: HK\$1,460,000) and share premium of HK\$203,940,000 (HK\$289,080,000) (before issue expenses).

As at the date of approval of these financial statements, the total number of ordinary shares which may be issued upon exercise of share options yet to be granted under the Share Option Scheme was 6,782,539,705 (2018: 6,352,539,705), which represents 10.68% (2018: 10%) of the ordinary shares in issue of the Company as at the date of approval of these financial statements.

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39. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 75 and 76 to the financial statements.

Share option reserve

It comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

Special reserves

The Group's special reserves mainly represent the difference between the carrying amount of the share of net assets acquired and the consideration in respect of the acquisition and disposal of the non-controlling interests in subsidiaries during the year ended 31 December 2019 and in prior years.

The non-controlling interests of HK\$704,197,000 arising from the deemed disposal of partial interests in subsidiaries during the year ended 31 December 2019 were recognised in the special reserve. Further details of the deemed disposal are set out in the Company's announcement dated 27 December 2019 and the non-controlling interests disclosed in note 41 to the financial statements.

Statutory surplus reserve

Pursuant to the relevant laws and regulations applicable to Mainland China, the Group's subsidiaries established in Mainland China are required to transfer part of their profit after tax to the reserve funds, which are non-distributable and restricted as to use.

40. PERPETUAL CAPITAL INSTRUMENT

	2019 HK\$'000	2018 HK\$'000
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	(73,864)	–
At end of the year	1,139,106	1,137,776

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 with an aggregate of RMB65,000,000 (approximately HK\$73,864,000) (2018: Nil) were declared and paid to the holders of the Perpetual Capital Instrument.

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Year ended 31 December 2019

41. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2019
Percentage of equity interest held by non-controlling interests: Beiqing Clean Energy Investment Company Limited* and its subsidiaries ("Beiqing Group")	6.74%
	2019 HK\$'000
Profit for the year allocated to non-controlling interests: Beiqing Group	–
Accumulated balances of non-controlling interests at the reporting date: Beiqing Group	704,197

The following table illustrates the summarised financial information of the above group. The amounts disclosed are before any inter-company eliminations:

	2019 HK\$'000
Revenue and other income	5,921,213
Total expenses	(4,473,258)
Profit for the year	1,261,620
Total comprehensive income for the year	1,111,383
Current assets	29,549,466
Non-current assets	27,704,872
Current liabilities	(27,496,936)
Non-current liabilities	(20,139,462)
Net cash flows from operating activities	815,684
Net cash flows used in investing activities	(5,325,866)
Net cash flows from financing activities	5,489,526
Net increase in cash and cash equivalents	979,324

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42. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2019 as at their respective dates of acquisition are set out below:

	Notes	2019 HK\$'000	2018 HK\$'000
Property, plant and equipment	14	513,882	3,107,655
Prepaid land lease payments	16(a)	–	73,131
Operating rights	19	4,012	564,329
Operating concessions	18	–	746,482
Other intangible assets	20	–	3,314
Deferred tax assets	36	–	2,651
Inventories		1,761	26,621
Contract assets		15,156	483,172
Trade and bills receivables		25,154	218,092
Prepayments, deposits and other receivables		89,801	569,295
Other tax recoverables		49,157	422,463
Cash and cash equivalents		5,068	347,227
Trade and bills payables		(20,453)	(356,451)
Other payables and accruals		(396,538)	(1,859,562)
Deferred income		–	(115,952)
Interest-bearing bank borrowings		–	(46,428)
Lease liabilities	35	(217,012)	–
Finance lease payables	35	–	(2,113,641)
Income tax payables		–	(48,591)
Deferred tax liabilities	36	(2,370)	(172,342)
Total identifiable net assets at fair value		67,618	1,851,465
Non-controlling interests		–	(226,477)
		67,618	1,624,988
Goodwill	17	5,422	187,991
Gains on bargain purchase	5	(9,432)	(22,704)
		63,608	1,790,275
Satisfied by:			
Cash consideration		63,608	1,790,275

Notes to Financial Statements

Year ended 31 December 2019

42. BUSINESS COMBINATIONS (CONTINUED)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2019 HK\$'000	2018 HK\$'000
Cash consideration	(63,608)	(1,790,275)
Cash and cash equivalents acquired	5,068	347,227
Outstanding cash consideration at end of year	–	575,909
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(58,540)	(867,139)

The transaction costs incurred by the Group for the acquisitions had been expensed and also included in administrative expenses in the consolidated statements of profit or loss for the years ended 31 December 2019 and 2018.

Since the acquisition, these acquired entities contributed HK\$115,289,000 (2018: HK\$765,106,000) to the Group's revenue and HK\$46,198,000 (2018: HK\$203,238,000) to the consolidated profit for the year ended 31 December 2019.

Had the above business combinations taken place at the beginning of the year, the Group's profit for the year would have been HK\$836,623,000 (2018: HK\$1,576,227,000) and the Group's revenue would have been HK\$6,358,232,000 (2018: HK\$7,370,914,000).

Notes:

- (a) 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 the 100% equity interest in 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 the 65% equity interests in 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, the PRC; and
 - (iii) In September 2018, the Group completed the acquisition of the 100% equity interest in Wenshuixian Juneng Heat Supply Ltd.* from an independent third party for a cash consideration of RMB98,490,000 (equivalent to HK\$117,250,000), 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.
- (b) The fair values of the trade and bills receivables, and deposits and other receivables as at the respective dates of acquisitions amounted to HK\$25,154,000 (2018: HK\$218,092,000) and HK\$83,713,000 (2018: HK\$542,812,000), respectively.

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43. DISPOSAL OF SUBSIDIARIES

	Notes	2019 HK\$'000	2018 HK\$'000
Property, plant and equipment	14	23,543	452,366
Prepaid land lease payments	16(a)	–	66
Goodwill	17	2,555	–
Other intangible assets	20	3	–
Contract assets		–	138,507
Trade and bills receivables		–	2,291
Prepayments, deposits and other receivables		42,602	212,556
Other tax recoverables		1,652	32,796
Cash and cash equivalents		707	3,741
Net assets directly associated with the disposal group		–	240,723
Trade payables		–	(543)
Other payables and accruals		(20,137)	(211,686)
		50,925	870,817
Exchange fluctuation reserve realised		3,080	(17,767)
Elimination of unrealised gains on disposal of subsidiaries		–	61,803
Gains/(losses) on disposal of interests in subsidiaries	6	(1,928)	69,191
		52,077	984,044
Satisfied by:			
Cash consideration		52,077	984,044

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) In December 2018, pursuant to an equity transfer agreement entered into between the Group, CR BE (Shantou), a joint venture of the Group and 漢威潤能股權投資(汕頭)有限公司 (Hanwei Runneng Equity Investment (Shantou) Company Limited*), the Group disposed of the entire equity interest in 穎上聚安光伏發電有限公司 (Yingshang Juan PV Power Generation Co., Ltd.*, "YSJA") for a cash consideration of RMB609,148,000 (equivalent to HK\$725,176,000). YSJA is engaged in the operation of a photovoltaic power plant in the PRC.

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43. DISPOSAL OF SUBSIDIARIES (CONTINUED)

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2019 HK\$'000	2018 HK\$'000
Cash consideration	52,077	984,044
Cash and cash equivalents disposed of	(707)	(3,741)
Cash and cash equivalents included in net assets directly associated with the disposal group	–	(11,983)
Consideration receivables as at the year end	(26,445)	(171,504)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	24,925	796,816

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$146,315,000 and HK\$146,315,000, respectively, in respect of lease arrangements for properties and land leases (2018: Nil).

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44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

	Interest- bearing bank and other borrowings HK\$'000	Corporate bond HK\$'000	Finance lease payables/ Lease liabilities HK\$'000
At 1 January 2018	6,530,063	–	11,178,623
Changes from financing cash flows	797,620	–	1,413,337
Interest expense	286,399	–	762,941
Refundable security deposits under finance leases	–	–	82,901
Increase arising from acquisition of subsidiaries (note 42)	46,428	–	2,113,641
Foreign exchange movement	(110,343)	–	(859,090)
At 31 December 2018	7,550,167	–	14,692,353
Effect of adoption of HKFRS 16	–	–	567,814
At 1 January 2019 (restated)	7,550,167	–	15,260,167
Changes from financing cash flows	4,169,688	554,670	(826,523)
Interest expense	498,350	2,377	862,383
Refundable security deposits under finance leases	–	–	185,224
Increase arising from acquisition of subsidiaries (note 42)	–	–	217,012
Foreign exchange movement	(50,290)	–	(65,055)
At 31 December 2019	12,167,915	557,047	15,633,208

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 HK\$'000
Within operating activities	47,054
Within financing activities	2,285,295
	2,332,349

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Year ended 31 December 2019

45. CONTINGENT LIABILITIES

At 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

46. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 HK\$'000	2018 HK\$'000
Contracted, but not provided for:		
Construction, material and equipment costs for development of clean energy projects	857,460	1,839,241
Capital contributions to joint ventures	596,868	606,364
	1,454,328	2,445,605

(b) Operating lease arrangements as at 31 December 2018

The Group leased its office properties, motor vehicles and certain land situated in the PRC under operating lease arrangements with leases negotiated for terms ranging from 9 months to 30 years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK\$'000
Within one year	59,258
In the second to fifth years, inclusive	176,221
After five years	622,649
	858,128

(c) The Group's lease commitments for short-term leases amounted to HK\$10,590,000 as at 31 December 2019.

47. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year ended 31 December 2019:

Name of related group/company	Nature of transactions	Notes	2019 HK\$'000	2018 HK\$'000
BEWG and its subsidiaries	Sales of electricity	(i)	13,496	10,593
BEWG	Licence fee	(ii)	1,511	1,541

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47. RELATED PARTY DISCLOSURES (CONTINUED)

(a) (Continued)

Name of related group/company	Nature of transactions	Notes	2019 HK\$'000	2018 HK\$'000
Controlled by BEWG:				
北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*)	Rental expenses	(ii)	15,103	12,753
Associates:				
四川金宇汽車城(集團)股份有限公司 (Sichuan Jinyu Automobile City (Group) Co., Ltd.*)	Purchase of goods	(iii), (v)	–	294,714
北控城投控股集團有限公司 (Beijing Enterprises City Investment Holdings Group Co., Ltd.*) and its subsidiary	Interest income	(iv)	7,614	10,274

Notes:

- (i) The sales to a related group were made according to the published prices and conditions offered to customers of the Group. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (ii) The licence fee and the rental expenses were charged on a mutually-agreed basis. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (iii) The purchase prices of goods were mutually agreed between the parties.
- (iv) Advances of RMB87,360,000 (equivalent to HK\$97,718,000) (2018: RMB87,360,000 (equivalent to HK\$99,273,000)) provided to an associate, which were generally unsecured, bore interest at fixed rates ranging from 6.525% to 9% per annum and were repayable on demand. Total interest income from the advances of HK\$7,614,000 (2018: HK\$10,274,000) was recognised by the Group during the year ended 31 December 2019.
- (v) During the year ended 31 December 2019, the Group provided a guarantee in respect of a bank borrowing amounted to HK\$173,378,000 of an associate of the Group. Pursuant to the above arrangement, the related cash and bank balances were pledged to the bank as collateral for the borrowing. Details are included in note 30 to the financial statements.

- (b) In the opinion of the Directors, the Directors represent the key management personnel of the Group. Details of Directors' remuneration are included in note 8 to the financial statements.

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48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Financial assets at amortised cost HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Financial asset at fair value through other comprehensive income HK\$'000	Total HK\$'000
Financial asset designated at fair value through other comprehensive income	–	–	7,092	7,092
Financial assets designated at fair value through profit or loss	–	262,072	–	262,072
Trade and bills receivables	4,203,537	–	–	4,203,537
Financial assets included in prepayments, deposits and other receivables	5,051,769	–	–	5,051,769
Restricted cash and pledged deposits	323,627	–	–	323,627
Cash and cash equivalents	3,698,835	–	–	3,698,835
Other non-current assets	649,896	–	–	649,896
	13,927,664	262,072	7,092	14,196,828

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	5,563,504
Financial liabilities included in other payables and accruals	4,260,211
Interest-bearing bank and other borrowings	12,167,915
Corporate bond	557,047
Lease liabilities	15,633,208
Other non-current liabilities	1,412,218
	39,594,103

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48. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2018

Financial assets

	Financial assets at amortised cost HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Financial asset at fair value through other comprehensive income HK\$'000	Total HK\$'000
Financial asset designated at fair value through other comprehensive income	–	–	7,205	7,205
Financial assets designated at fair value through profit or loss	–	263,124	–	263,124
Trade and bills receivables	3,289,596	–	–	3,289,596
Financial assets included in prepayments, deposits and other receivables	3,916,367	–	–	3,916,367
Pledged bank deposits	292,896	–	–	292,896
Cash and cash equivalents	2,768,362	–	–	2,768,362
Other non-current assets	102,802	–	–	102,802
	10,370,023	263,124	7,205	10,640,352

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	4,375,776
Financial liabilities included in other payables and accruals	4,553,601
Interest-bearing bank and other borrowings	7,550,167
Finance lease payables	14,692,353
Other non-current liabilities	101,987
	31,273,884

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49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of deposits and other receivables, interest-bearing bank and other borrowings, corporate bond, and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the Directors, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's assets:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial asset designated at fair value through other comprehensive income	-	-	7,092	7,092
Financial assets designated at fair value through profit or loss	-	-	262,072	262,072
	-	-	269,164	269,164

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49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED) Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2018

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial asset designated at fair value through other comprehensive income	–	–	7,205	7,205
Financial assets designated at fair value through profit or loss	–	–	263,124	263,124
	–	–	270,329	270,329

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 for both financial assets and financial liabilities. There were also no transfers into or out of Level 3 for financial assets and financial liabilities (2018: no transfers into or out of Level 3 for financial liabilities but there were transfers into Level 3 for financial assets).

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 31 December 2018.

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, other payables, interest-bearing bank and other borrowings, corporate bond, and lease liabilities. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings and lease liabilities under finance lease arrangements):

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$'000
2019		
HK\$	100	(88,257)
RMB	100	(180,515)
HK\$	(100)	88,257
RMB	(100)	180,515
2018		
HK\$	100	(56,480)
RMB	100	(165,246)
HK\$	(100)	56,480
RMB	(100)	165,246

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant business operations in Mainland China, the consolidated statement of financial position can be affected significantly by movements in the RMB/HK\$ exchange rate.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against HK\$ may have an impact on the operating results of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in foreign exchange rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity HK\$'000
2019			
If HK\$ weakens against RMB	1.00	14,887	120,208
If HK\$ strengthens against RMB	(1.00)	(14,887)	(120,208)
2018			
If HK\$ weakens against RMB	1.00	19,019	109,029
If HK\$ strengthens against RMB	(1.00)	(19,019)	(109,029)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, contract assets, trade and bills receivables, and deposit and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of contract assets, trade and bills receivables, and deposits and other receivables as disclosed in notes 26, 27 and 28 to the financial statements, respectively. In addition, the Group reviews the recoverable amount of each individual trade and non-trade debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'000	HK\$'000	HK\$'000	approach	HK\$'000
				HK\$'000	HK\$'000
Financial asset designated at fair value through other comprehensive income	7,092	–	–	–	7,092
Financial assets designated at fair value through profit or loss	262,072	–	–	–	262,072
Trade receivables*	–	–	–	3,380,584	3,380,584
Bills receivable	862,312	–	–	–	862,312
Contract assets*	–	–	–	5,406,642	5,406,642
Financial assets included in prepayments, deposits and other receivables	4,612,016	432,805	99,513	–	5,144,334
Restricted cash and pledged deposits	323,627	–	–	–	323,627
Cash and cash equivalents	3,698,835	–	–	–	3,698,835
Other non-current assets	649,896	–	–	–	649,896
	10,415,850	432,805	99,513	8,787,226	19,735,394

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Year ended 31 December 2019

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2018

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'000	HK\$'000	HK\$'000	approach	HK\$'000
				HK\$'000	HK\$'000
Financial asset designated at fair value through other comprehensive income	7,205	–	–	–	7,205
Financial assets designated at fair value through profit or loss	263,124	–	–	–	263,124
Trade receivables*	–	–	–	2,683,081	2,683,081
Bills receivable	625,804	–	–	–	625,804
Contract assets*	–	–	–	4,525,549	4,525,549
Financial assets included in prepayments, deposits and other receivables	3,817,701	112,482	–	–	3,930,183
Pledged bank deposits	292,896	–	–	–	292,896
Cash and cash equivalents	2,768,362	–	–	–	2,768,362
Other non-current assets	102,802	–	–	–	102,802
	7,877,894	112,482	–	7,208,630	15,199,006

* For contract assets and trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 26 and 27 to the financial statements, respectively.

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

The closing loss allowances for trade and bills receivables, contract assets and financial assets included in prepayments, deposits and other receivables as at the end of the reporting period reconcile to the opening loss allowances as follows:

	Trade and bills receivables HK\$'000	Contract assets HK\$'000	Financial assets included in prepayments, deposits and other receivables HK\$'000	Total HK\$'000
At 1 January 2018	11,467	7,205	4,110	22,782
Impairment loss, net (note 6)	8,195	17,465	10,168	35,828
Exchange realignment	(373)	(793)	(462)	(1,628)
At 31 December 2018 and 1 January 2019	19,289	23,877	13,816	56,982
Impairment loss, net (note 6)	20,474	6,731	80,001	107,206
Exchange realignment	(404)	(353)	(1,252)	(2,009)
At 31 December 2019	39,359	30,255	92,565	162,179

At the end of the reporting period, the Group had certain concentrations of credit risk as 4% (2018: 2%) and 12% (2018: 12%) of the Group's trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through cash receipts from receivables, the issue of new shares and a perpetual capital instrument, and the raising of bank loans, a corporate bond, a financial liability of an option to non-controlling interests and lease liabilities to cover expected cash demands, as well as the strict control over its daily operating expenses. Accordingly, the Group expects to have adequate sources of funding to finance the Group's operations and manage its liquidity position.

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK\$'000	Within 1 year HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	3-4 years HK\$'000	4-5 years HK\$'000	Beyond 5 years HK\$'000	Total HK\$'000
2019								
Trade and bills payables	-	5,563,504	-	-	-	-	-	5,563,504
Other payables	-	4,260,211	-	-	-	-	-	4,260,211
Interest-bearing bank and other borrowings	135,000	3,387,301	1,786,457	5,335,598	390,168	373,712	1,882,166	13,290,402
Corporate bond	-	33,367	590,414	-	-	-	-	623,781
A financial liability of an option to non-controlling interests [#]	-	-	-	872,483	-	-	-	872,483
Lease liabilities	-	3,434,536	2,686,636	2,887,590	2,310,413	2,253,356	5,446,726	19,019,257
	135,000	16,678,919	5,063,507	9,095,671	2,700,581	2,627,068	7,328,892	43,629,638
2018								
Trade and bills payables	-	4,375,776	-	-	-	-	-	4,375,776
Other payables	-	4,553,601	-	-	-	-	-	4,553,601
Interest-bearing bank and other borrowings	-	1,548,028	2,663,961	1,582,283	889,604	208,682	833,184	7,725,742
Finance lease payables	-	2,311,689	3,590,667	2,640,928	2,248,209	2,166,941	5,293,293	18,251,727
	-	12,789,094	6,254,628	4,223,211	3,137,813	2,375,623	6,126,477	34,906,846

[#] The balance was a financial liability at amortised cost for the Option granted to non-controlling interests under which the non-controlling interests shall have the right to request certain of the Group's subsidiaries to repurchase the equity interests in a Group's subsidiary held by the non-controlling interests at any time after the occurrence of certain events. Further details of the Option are set out in the Company's announcement dated 27 December 2019.

The exposure of the Group's financial guarantee contracts in relation to interests in joint ventures and the financial asset at fair value through other comprehensive income is disclosed in notes 21 and 24 to the financial statements, respectively.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares to increase capital or sell assets to reduce debt.

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using the net gearing ratio, which is calculated by dividing net debt by the sum of net debt and total equity. Net debt is calculated as total interest-bearing bank and other borrowings, a corporate bond and lease liabilities under finance lease arrangements (2018: finance lease payables) (as shown in notes 33, 34 and 35), less cash and cash equivalents. The net gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 HK\$'000	2018 HK\$'000
Interest-bearing bank and other borrowings	12,167,915	7,550,167
Corporate bond	557,047	–
Lease liabilities under finance lease arrangements	14,874,875	–
Finance lease payables	–	14,692,353
Less: Cash and cash equivalents	(3,698,835)	(2,768,362)
Net debt	23,901,002	19,474,158
Total equity	11,005,769	10,875,407
Net debt and total equity	34,906,771	30,349,565
Gearing ratio	68%	64%

51. EVENT AFTER THE REPORTING PERIOD

On 22 January 2020, Beiqing Clean Energy Investment Company Limited*, 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.

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52. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	946	508
Interests in subsidiaries	5,186,436	5,287,776
Investment in a joint venture	24,922	24,922
Total non-current assets	5,212,304	5,313,206
CURRENT ASSETS		
Prepayments, deposits and other receivables	10,820,648	7,031,037
Cash and cash equivalents	122,440	365,010
Total current assets	10,943,088	7,396,047
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,648,416	1,194,669
Other payables and accruals	269,667	165,029
Total current liabilities	2,918,083	1,359,698
NET CURRENT ASSETS	8,025,005	6,036,349
TOTAL ASSETS LESS CURRENT LIABILITIES	13,237,309	11,349,555
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	6,177,328	4,453,364
Corporate bond	557,047	–
Total non-current liabilities	6,734,375	4,453,364
Net assets	6,502,934	6,896,191
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	63,525	63,525
Perpetual capital instrument (Note)	1,139,106	1,137,776
Reserves (Note)	5,300,303	5,694,890
Total equity	6,502,934	6,896,191

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53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's perpetual capital instrument and reserves is as follows:

	Share premium account HK\$'000	Share option reserve HK\$'000	Special reserves HK\$'000	Accumulated losses HK\$'000	Perpetual capital instrument HK\$'000	Total HK\$'000
At 1 January 2018	5,925,295	6,657	2,799	(100,928)	–	5,833,823
Issuance of a perpetual capital instrument (note 40)	–	–	–	–	1,131,315	1,131,315
Loss and total comprehensive income/(loss) for the year	–	–	–	(162,075)	6,461	(155,614)
Equity-settled share option arrangements (note 38)	–	23,142	–	–	–	23,142
At 31 December 2018 and 1 January 2019	5,925,295	29,799	2,799	(263,003)	1,137,776	6,832,666
Loss and total comprehensive income/(loss) for the year	–	–	–	(402,137)	75,194	(326,943)
Distribution paid to holders of a perpetual capital instrument (note 40)	–	–	–	–	(73,864)	(73,864)
Equity-settled share option arrangements (note 38)	–	7,550	–	–	–	7,550
At 31 December 2019	5,925,295	37,349	2,799	(665,140)	1,139,106	6,439,409

The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

54. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 27 March 2020.

* For identification purposes only

Five-Year Financial Summary

Year ended 31 December 2019

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

RESULTS

	2019 HK\$'000	Years ended 31 December			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
REVENUE	6,335,620	6,980,270	10,039,549	2,890,176	288,930
PROFIT BEFORE TAX	1,031,631	1,537,580	1,862,233	666,485	65,963
Income tax expense	(189,545)	(159,624)	(285,907)	(137,238)	(27,471)
PROFIT FOR THE YEAR	842,086	1,377,956	1,576,326	529,247	38,492
Attributable to equity holders of the Company	682,864	1,268,645	1,560,348	505,101	38,492

ASSETS AND LIABILITIES

	2019 HK\$'000	As at 31 December			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Total assets	52,192,282	43,408,150	35,995,682	17,578,615	2,779,419
Total liabilities	(41,186,513)	(32,532,743)	(26,991,653)	(13,093,739)	(660,912)
	11,005,769	10,875,407	9,004,029	4,484,876	2,118,507

The summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years has been extracted from the published audited financial statements of the Company.