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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- The Group recorded revenue of approximately HK\$6,980.3 million (2017: approximately HK\$10,039.5 million), representing a decrease of approximately 30% as compared to the corresponding period of last year. As a result of the change in the Group's revenue structure and business focus, revenue from construction services decreased while revenue from other business sectors (including sales of electricity and clean heat supply) increased, and the Group's gross profit increased from approximately HK\$2,625.0 million for the year ended 31 December 2017 to approximately HK\$2,922.2 million for the year ended 31 December 2018.
- Profit attributable to the equity holders of the Company was approximately HK\$1,268.6 million (2017: approximately HK\$1,560.3 million), representing a decrease of approximately 19% as compared to the corresponding period of last year.
- EBITDA amounted to approximately HK\$3,475.7 million (2017: approximately HK\$2,847.8 million), representing an increase of approximately 22% as compared to the corresponding period of last year.
- Basic and diluted earnings per share for the year were HK1.99 cents (2017: HK2.72 cents) and HK1.99 cents (2017: HK2.67 cents) respectively.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Clean Energy Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2018 and the consolidated statement of financial position of the Group as at 31 December 2018, together with comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
REVENUE	3	6,980,270	10,039,549
Cost of sales		<u>(4,058,022)</u>	<u>(7,414,587)</u>
Gross profit		2,922,248	2,624,962
Other income and gains, net	3	334,059	182,994
Selling and distribution expenses		(21,624)	(3,655)
Administrative expenses		(664,314)	(476,697)
Other operating expenses, net		(45,395)	(10,998)
Finance costs	5	(975,170)	(469,983)
Share of profits and losses of:			
Joint ventures		(20,157)	(624)
Associates		<u>7,933</u>	<u>16,234</u>
PROFIT BEFORE TAX	4	1,537,580	1,862,233
Income tax expense	6	<u>(159,624)</u>	<u>(285,907)</u>
PROFIT FOR THE YEAR		<u><u>1,377,956</u></u>	<u><u>1,576,326</u></u>
ATTRIBUTABLE TO:			
Equity holders of the Company		1,268,645	1,560,348
Non-controlling interests		<u>109,311</u>	<u>15,978</u>
		<u><u>1,377,956</u></u>	<u><u>1,576,326</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u><u>HK1.99 cents</u></u>	<u><u>HK2.72 cents</u></u>
Diluted		<u><u>HK1.99 cents</u></u>	<u><u>HK2.67 cents</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
PROFIT FOR THE YEAR	1,377,956	1,576,326
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value for available-for-sale investment	–	49,952
Exchange fluctuation reserve:		
Translation of foreign operations	(866,292)	648,706
Release upon disposal of subsidiaries	(17,767)	–
Share of other comprehensive income/(loss) of joint ventures	(8,175)	3,735
Share of other comprehensive income/(loss) of associates	(39,273)	27,004
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(931,507)</u>	<u>729,397</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>446,449</u></u>	<u><u>2,305,723</u></u>
ATTRIBUTABLE TO:		
Equity holders of the Company	383,933	2,271,072
Non-controlling interests	62,516	34,651
	<u><u>446,449</u></u>	<u><u>2,305,723</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		19,344,147	15,567,761
Investment properties		175,000	175,000
Prepaid land lease payments		236,522	191,102
Goodwill		500,567	339,287
Operating concessions		1,894,524	1,060,563
Operating rights		994,468	516,882
Other intangible assets		22,030	8,751
Investments in joint ventures		140,959	94,228
Investments in associates		703,510	681,279
Financial assets at fair value through profit or loss		263,124	–
Available-for-sale investment		–	7,612
Financial asset at fair value through other comprehensive income		7,205	–
Prepayments, deposits and other receivables		3,027,822	1,451,629
Other tax recoverables		1,292,153	1,134,059
Other non-current assets		102,802	108,618
Deferred tax assets		33,818	27,122
		<hr/>	<hr/>
Total non-current assets		28,738,651	21,363,893
CURRENT ASSETS			
Inventories		157,766	21,164
Contract assets	<i>9</i>	4,501,672	–
Amounts due from contract customers		–	2,028,891
Trade and bills receivables	<i>10</i>	3,289,596	4,502,025
Prepaid land lease payments		18,220	5,318
Prepayments, deposits and other receivables		2,754,169	1,756,591
Other tax recoverables		886,818	707,811
Pledged bank deposits		292,896	497,340
Cash and cash equivalents		2,768,362	4,772,754
		<hr/>	<hr/>
		14,669,499	14,291,894
Assets of a disposal group classified as held for sale		–	339,895
		<hr/>	<hr/>
Total current assets		14,669,499	14,631,789

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	4,375,776	4,631,417
Other payables and accruals		5,101,138	4,043,342
Interest-bearing bank and other borrowings	<i>12</i>	1,508,886	1,349,295
Finance lease payables	<i>13</i>	1,449,862	1,390,624
Income tax payables		158,595	233,930
		12,594,257	11,648,608
Liabilities directly associated with the assets classified as held for sale		–	99,172
Total current liabilities		12,594,257	11,747,780
NET CURRENT ASSETS		2,075,242	2,884,009
TOTAL ASSETS LESS CURRENT LIABILITIES		30,813,893	24,247,902
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>12</i>	6,041,281	5,180,768
Finance lease payables	<i>13</i>	13,242,491	9,787,999
Other non-current liabilities		101,987	108,104
Deferred income		232,885	–
Deferred tax liabilities		319,842	167,002
Total non-current liabilities		19,938,486	15,243,873
Net assets		10,875,407	9,004,029
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>14</i>	63,525	63,525
Perpetual capital instrument		1,137,776	–
Reserves		8,878,287	8,497,381
Non-controlling interests		10,079,588	8,560,906
		795,819	443,123
Total equity		10,875,407	9,004,029

NOTES:

1.1 CORPORATE AND GROUP INFORMATION

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

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

Pursuant to an agreement entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser) dated 10 January 2018, the business of the design, printing and sale of cigarette packages in the PRC (the “**Cigarette Packaging Business**”) was disposed of by the Company to Ms. Huang Li for a consideration of HK\$258,868,000. The transaction was completed on 17 January 2018. Further details of the disposal are set out in the Company’s announcement dated 10 January 2018.

1.2 BASIS OF PREPARATION

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

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on this financial information.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECL(s)").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Notes	HKAS 39 measurement		Re- classification HK\$'000	ECL HK\$'000	HKFRS 9 measurement	
		Category	Amount HK\$'000			Amount HK\$'000	Category
Financial assets							
Financial assets designated at fair value through other comprehensive income	(i)	N/A	–	7,612	–	7,612	FVOCI ¹ (equity)
Available-for-sale investment	(i)	AFS ²	7,612	(7,612)	–	–	N/A
Trade and bills receivables	(ii)	L&R ³	2,854,855	–	(11,467)	2,843,388	AC ⁴
Financial assets included in prepayments, deposits and other receivables		L&R	2,046,343	–	(4,110)	2,042,233	AC
Pledged bank deposits		L&R	497,340	–	–	497,340	AC
Cash and cash equivalents		L&R	4,772,754	–	–	4,772,754	AC
Other non-current assets		L&R	108,618	–	–	108,618	AC
			<u> </u>	<u> </u>	<u> </u>	<u> </u>	
Other assets							
Contract assets	(ii)		3,676,061	–	(7,205)	3,668,856	
Deferred tax assets			27,122	–	–	27,122	
			<u> </u>	<u> </u>	<u> </u>	<u> </u>	
Financial liabilities							
Trade and bills payables		AC	4,631,417	–	–	4,631,417	AC
Financial liabilities included in other payables and accruals		AC	3,940,304	–	–	3,940,304	AC
Interest-bearing bank and other borrowings		AC	6,530,063	–	–	6,530,063	AC
Finance lease payables		AC	11,178,623	–	–	11,178,623	AC
Other non-current liabilities		AC	108,104	–	–	108,104	AC
			<u> </u>	<u> </u>	<u> </u>	<u> </u>	
Other liabilities							
Deferred tax liabilities			167,002	–	–	167,002	
			<u> </u>	<u> </u>	<u> </u>	<u> </u>	

¹ FVOCI: Financial asset at fair value through other comprehensive income

² AFS: Available-for-sale investment

³ L&R: Loans and receivables

⁴ AC: Financial assets or financial liabilities at amortised cost

Notes:

- (i) The Group has elected the option to irrevocably designate its previous available-for-sale investment as a financial asset at fair value through other comprehensive income.
- (ii) The gross carrying amounts of the trade and bills receivables and the contract assets under the column “HKAS 39 measurement-Amount” represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included below.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017 HK\$'000	Re- measurement HK\$'000	ECL allowances under HKFRS 9 at 1 January 2018 HK\$'000
Trade and bills receivables	–	11,467	11,467
Contract assets	–	7,205	7,205
Financial assets included in prepayments, deposits and other receivables	–	4,110	4,110
	<u>–</u>	<u>22,782</u>	<u>22,782</u>

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	<i>HK\$'000</i>
Retained profits	
Balance as at 31 December 2017 under HKAS 39	1,987,147
Recognition of expected credit losses for trade and bills receivables under HKFRS 9	(11,467)
Recognition of expected credit losses for contract assets under HKFRS 9	(7,205)
Recognition of expected credit losses for deposits and other receivables under HKFRS 9	<u>(4,110)</u>
Balance as at 1 January 2018 under HKFRS 9	<u>1,964,365</u>

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	<i>Notes</i>	Increase/ (decrease) HK\$'000
Assets		
Trade and bills receivables	<i>(i), (ii)</i>	(1,647,170)
Amounts due from contract customers	<i>(i)</i>	(2,028,891)
Contract assets	<i>(i), (ii)</i>	<u>3,676,061</u>

The nature of the adjustments as at 1 January 2018 and the reasons for the changes in the statement of financial position as at 31 December 2018 are described below:

Notes:

(i) Construction contracts

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented construction contracts and were recorded as amounts due from contract customers in the statement of financial position before the construction services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified HK\$2,028,891,000 from amounts due from contract customers to contract assets as at 1 January 2018.

Before the adoption of HKFRS 15, certain of the retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified HK\$20,374,000 from trade receivables to contract assets as at 1 January 2018.

(ii) Tariff adjustments receivables

Upon the adoption of HKFRS 15, the Group's contract assets included in tariff adjustment receivables for those central government renewable energy subsidy that have not been registered into the Renewable Energy Tariff Subsidy Catalogues (the "Subsidy Catalogues") as at the reporting period. Such tariff adjustments receivables were included in trade and bills receivables as at 31 December 2017.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the investment, development, construction, operation and management of clean energy businesses (i.e. the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business) and therefore, no segment information is presented in this financial information.

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 this financial information.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of electricity with tariff adjustment*		
Photovoltaic Power Business	2,636,495	1,466,739
Wind Power Business	113,196	65,771
Construction services	3,331,450	7,965,268
Technical consultancy services	300,336	205,788
Entrusted operations	290,542	136,678
Provision of clean heat supply services	308,251	20,466
Sale of cigarette packages	–	178,839
	<u>6,980,270</u>	<u>10,039,549</u>

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Other income and gains, net		
Bank interest income	34,398	17,756
Other interest income	55,510	72,183
Government grants	148,307	54,075
Gains on bargain purchase of subsidiaries (<i>note 15</i>)	22,704	–
Gains on disposal of interests in subsidiaries (<i>note 16</i>)	69,191	35,211
Others	3,949	3,769
	<u>334,059</u>	<u>182,994</u>

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

4. PROFIT BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of sales of electricity	932,984	474,374
Cost of construction services	2,830,597	6,774,066
Cost of technical consultancy services	40,260	20,651
Cost of services in relation to entrusted operations	33,113	13,658
Cost of clean heat supply services	221,068	14,022
Cost of inventories sold of the Cigarette Packaging Business	–	117,816
Depreciation	835,803	469,101
Amortisation of prepaid land lease payments	30,910	26,636
Amortisation of operating concessions	59,391	–
Amortisation of operating rights	34,340	19,104
Amortisation of other intangible assets	2,463	792
Foreign exchange differences, net	9,495	8,112
	<u>9,495</u>	<u>8,112</u>

5. FINANCE COSTS

An analysis of finance costs is as follows :

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank and other loans	286,399	195,258
Interest on finance leases	<u>762,941</u>	<u>323,929</u>
Total interest expenses	1,049,340	519,187
Less: Interest capitalised	<u>(74,170)</u>	<u>(49,204)</u>
	<u>975,170</u>	<u>469,983</u>

6. 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 (2017: 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 for a prescribed period of time.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current – Mainland China	168,565	270,594
Deferred	<u>(8,941)</u>	<u>15,313</u>
Total tax expense for the year	<u>159,624</u>	<u>285,907</u>

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

8. 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 2018 and 2017, and the weighted average number of ordinary shares and convertible preference shares in issue during the years.

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 and convertible preference shares in issue during the years as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued (i) as a result of the effect from the forward contract on the convertible preference shares; and (ii) at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted earnings per share amounts is based on the following data:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to equity holders of the Company	1,268,645	1,560,348
Distribution related to the perpetual capital instrument	<u>(6,461)</u>	<u>–</u>
Profit used in the basic and diluted earnings per share calculation	<u>1,262,184</u>	<u>1,560,348</u>
	2018	2017
Number of ordinary shares and convertible preference shares		
Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic earnings per share calculation (<i>note</i>)	63,525,397,057	57,304,086,649
Effect of dilution:		
Forward contract on convertible preference shares	–	1,047,096,218
Share options	<u>18,396,405</u>	<u>–</u>
Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation (<i>note</i>)	<u>63,543,793,462</u>	<u>58,351,182,867</u>
Basic earnings per share	<u>HK1.99 cents</u>	<u>HK2.72 cents</u>
Diluted earnings per share	<u>HK1.99 cents</u>	<u>HK2.67 cents</u>

Note: An open offer (the “**Open Offer**”) of one offer share for every seven existing ordinary shares of the Company held by members on the register of members on 15 August 2017 was made at a subscription price of HK\$0.17 per offer share, resulting in the issue of 7,820,619,687 ordinary shares of the Company on 11 September 2017 for a total cash consideration, before expenses, of HK\$1,329,505,000.

The weighted average number of ordinary shares of the Company and convertible preference shares of the Company adopted in the calculation of basic and diluted earnings per share amounts for the year ended 31 December 2017 have been adjusted retrospectively to reflect the impact of the Open Offer.

9. CONTRACT ASSETS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Tariff adjustment receivables (<i>note</i>)	2,491,836	–
Construction contracts	1,693,796	–
Retention money	339,917	–
	<u>4,525,549</u>	<u>–</u>
<i>Less: Impairment</i>	<u>(23,877)</u>	<u>–</u>
Total	<u><u>4,501,672</u></u>	<u><u>–</u></u>

Note: It 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.

10. TRADE AND BILLS RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	1,971,260	2,431,428
Bills receivable	625,804	380,539
	<u>2,597,064</u>	<u>2,811,967</u>
Tariff adjustment receivables	711,821	1,690,058
	<u>3,308,885</u>	<u>4,502,025</u>
<i>Less: Impairment</i>	<u>(19,289)</u>	<u>–</u>
Total	<u><u>3,289,596</u></u>	<u><u>4,502,025</u></u>

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 bills with maturity periods from 90 days to 180 days.

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

Ageing analysis for the year ended 31 December 2018

The ageing analysis of the trade and bills receivables as at 31 December 2018, based on the invoice date and net of loss allowance, is as follows:

	2018 <i>HK\$'000</i>
Within 3 months	1,507,668
4 to 6 months	72,498
7 to 12 months	423,238
Over 1 year	574,371
	<hr/>
	2,577,775
	<hr/> <hr/>

The ageing analysis of the tariff adjustment receivables as at 31 December 2018, based on the revenue recognition date and net of loss allowance, is as follows:

	2018 <i>HK\$'000</i>
Within 3 months	92,353
4 to 6 months	109,797
7 to 12 months	202,600
Over 1 year	307,071
	<hr/>
	711,821
	<hr/> <hr/>

Tariff adjustment receivables as at 31 December 2018 represented the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that have been registered into the Subsidy Catalogues.

Ageing analysis for the year ended 31 December 2017

The ageing analysis of the billed trade and bills receivables based on the invoice date and net of loss allowance, is as follows:

	2017 <i>HK\$'000</i>
Within 3 months	1,527,579
4 to 6 months	98,322
7 to 12 months	1,114,507
Over 1 year	71,559
	<hr/>
	2,811,967
	<hr/> <hr/>

11. 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 3 months	2,594,226	3,288,098
4 to 6 months	206,028	204,431
7 to 12 months	488,561	406,729
1 to 2 years	997,291	732,159
2 to 3 years	89,670	–
	<u>4,375,776</u>	<u>4,631,417</u>

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

Included in the trade and bills payables are trade payables of HK\$44,084,000 (2017: Nil) 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 payables amounting to HK\$331,109,000 (2017: HK\$711,936,000) were secured by the pledged bank deposits as at 31 December 2018.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank and other loans:		
Secured	1,525,583	1,782,541
Unsecured	6,024,584	4,747,522
	<u>7,550,167</u>	<u>6,530,063</u>
Total bank and other borrowings	<u>7,550,167</u>	<u>6,530,063</u>
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand (<i>note (c)</i>)	1,508,886	1,349,295
In the second year	2,636,008	1,334,146
In the third to fifth years, inclusive	2,591,267	2,961,506
Beyond five years	814,006	885,116
	<u>7,550,167</u>	<u>6,530,063</u>
Total bank and other borrowings	<u>7,550,167</u>	<u>6,530,063</u>
Portion classified as current liabilities	<u>(1,508,886)</u>	<u>(1,349,295)</u>
Non-current portion	<u>6,041,281</u>	<u>5,180,768</u>

Notes:

- (a) Certain of the Group's bank and other loans are secured by:
 - (i) guarantees given by the Company and/or its subsidiaries;
 - (ii) pledges over the trade receivables of certain subsidiaries;
 - (iii) pledges over certain of the Group's bank balances; and/or
 - (iv) pledges over certain of the Group's property, plant and equipment.
- (b) The Group's bank and other borrowings bear interest at floating rates with effective interest rates ranging from 2.90% to 5.96% (2017: 2.71% to 6.53%).
- (c) As at 31 December 2017, a bank loan with a principal amount of HK\$450,000,000 contained an on demand repayment clause and therefore has been recognised as a current liability, which was 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. The bank loan was repaid during the year ended 31 December 2018.
- (d) Certain bank borrowing agreements of the Group include conditions imposing specific performance obligations on a substantial beneficial owner of the Company.

13. FINANCE LEASE PAYABLES

The Group leases certain property, plant and equipment for its clean energy businesses under finance lease arrangements. The leases are classified as finance leases and had remaining lease terms of 1 to 13 years as at 31 December 2018 (2017: 8 months to 14 years).

The total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2018 HK\$'000	Minimum lease payments 2017 HK\$'000	Present value of minimum lease payments 2018 HK\$'000	Present value of minimum lease payments 2017 HK\$'000
Amounts repayable:				
Within one year	2,311,689	2,021,350	1,449,862	1,390,624
In the second year	3,590,667	1,695,026	2,839,356	1,129,463
In the third to fifth years, inclusive	7,056,078	5,908,272	5,622,940	4,842,729
Over five years	5,293,293	4,322,735	4,780,195	3,815,807
Total minimum finance lease payments	18,251,727	13,947,383	14,692,353	11,178,623
Future finance charges	(3,559,374)	(2,768,760)		
Total net finance lease payables	14,692,353	11,178,623		
Portion classified as current liabilities	(1,449,862)	(1,390,624)		
Non-current portion	13,242,491	9,787,999		

Notes:

- (a) Certain of the above finance lease arrangements are secured by:
- (i) guarantees given by the Company and/or its subsidiaries;
 - (ii) pledges over the Group's leased assets;
 - (iii) pledges over the trade receivables of certain subsidiaries;
 - (iv) certain operating concessions of the Group; and/or
 - (v) pledges over the Group's equity interests in certain subsidiaries.
- (b) Certain finance lease agreements of the Group include conditions imposing specific performance obligations on a substantial beneficial owner of the Company.

14. SHARE CAPITAL

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Authorised:		
Ordinary shares: 466,637,115,100 shares of HK\$0.001 each	<u>466,637</u>	<u>466,637</u>
Convertible preference shares: 33,362,884,900 shares of HK\$0.001 each	<u>33,363</u>	<u>33,363</u>
	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
Ordinary shares: 63,525,397,057 shares of HK\$0.001 each	<u>63,525</u>	<u>63,525</u>

15. BUSINESS COMBINATIONS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net assets acquired	1,624,988	542,608
Provisional goodwill	187,991	177,930
Gains on bargain purchase (<i>note 3</i>)	<u>(22,704)</u>	<u>–</u>
	<u>1,790,275</u>	<u>720,538</u>

During the year ended 31 December 2018, the Group acquired a number of companies engaging in the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business from certain independent vendors. 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 interests in 響水恆能太陽能發電有限公司 (Xiangshui Hengneng Photovoltaic Power Co. Ltd.*) and 響水永能太陽能發電有限公司 (Xiangshui Yongneng Photovoltaic Power Co. Ltd.*) from an independent vendor for an aggregate consideration of RMB457,679,000 (equivalent to HK\$544,856,000), which are principally engaged in the operations of two photovoltaic power plants located in Jiangsu Province, the PRC with total capacity of 120MW. Details of the acquisitions are set out in the Company's announcement dated 18 April 2018; and
- (ii) in August 2018, the Group completed the acquisition of the 100% equity interests in 南京競弘新能源有限公司 (Nanjing Jinghong New Energy Co. Ltd.*) and 普安縣中弘新能源有限公司 (Puan County Zhonghong New Energy Co. Ltd.*) from an independent vendor for an aggregate consideration of RMB192,897,000 (equivalent to HK\$229,639,000), which are principally engaged in the operation of a photovoltaic power plant located in Guizhou Province, the PRC with total capacity of 50MW. Details of the acquisitions are set out in the Company's announcement dated 12 July 2018.

16. DISPOSAL OF SUBSIDIARIES

	2018 HK\$'000	2017 HK\$'000
Net assets disposed of	870,817	15,430
Exchange fluctuation reserve realised	(17,767)	–
Elimination of unrealised gains on disposal of interests in subsidiaries	61,803	16,833
Gains on disposal of interests in subsidiaries (note 3)	<u>69,191</u>	<u>35,211</u>
Total consideration – Satisfied by cash	<u><u>984,044</u></u>	<u><u>67,474</u></u>

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

- (i) Pursuant to an agreement entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser) dated 10 January 2018, the Cigarette Packaging Business was disposed of by the Company to Ms. Huang Li for a consideration of HK\$258,868,000. The disposal was completed on 17 January 2018. Further details of the disposal are set out in the Company's announcement dated 10 January 2018; and
- (ii) On 5 December 2018, the Company, 北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*), 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*, “**Tianjin Clean Energy**”) (as the vendor), 華潤北控 (汕頭) 新能源產業基金合夥企業 (有限合夥) (CR BE (Shantou) New Energy Industrial Fund Partnership Corporation (Limited Partnership)*, “**CRBE Fund**”), 漢威潤能股權投資 (汕頭) 有限公司 (Hanwei Runneng Equity Investment (Shantou) Company Limited*, collectively with CRBE Fund, the “**YSJA Purchasers**”) and 穎上聚安光伏發電有限公司 (Yingshang Juan PV Power Generation Co., Ltd.*, “**YSJA**”) entered into an agreement, pursuant to which Tianjin Clean Energy agreed to dispose of the entire equity interest in YSJA to the YSJA Purchasers for a consideration of RMB609,148,000 (equivalent to HK\$725,176,000). YSJA holds a 60MW photovoltaic power plant in Fuyang City (阜陽市), Anhui Province, the PRC. The equity transfer was completed in December 2018 and YSJA became a joint venture of the Group. Further details of the disposal are set out in the Company's announcement dated 5 December 2018.

Details of the material disposals during the year ended 31 December 2017 are as follows:

- (i) In September 2017, pursuant to an equity transfer agreement entered into between the Group and 北京北控蘇銀股權投資管理中心 (有限合夥) (Beijing BE Suyin Equity Investment Management Centre (Limited Partnership)*, a joint venture of the Group), the Group disposed of the entire equity interest in 潤峰電力 (鄭西) 有限公司 (Runfeng Power (Yunxi) Company Limited*, “**Runfeng Yunxi**”) for a cash consideration of approximately RMB34 million (equivalent to approximately HK\$40 million). Runfeng Yunxi is engaged in the operation of a photovoltaic power plant in the PRC and is a joint venture of the Group during the year ended 31 December 2018; and
- (ii) In March 2017, pursuant to an equity transfer agreement entered into between the Group and an independent third party, the Group disposed of the entire equity interest in 惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited*, “**Huizhou Jin Cai**”) for a cash consideration of approximately RMB23 million (equivalent to approximately HK\$27 million). At the time of disposal, Huizhou Jin Cai did not actively engage in any business other than holding a vacant manufacturing plant in the PRC.

17. EVENT AFTER THE REPORTING PERIOD

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

On 19 March 2019, 北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*, "**BEWP**"), an indirect 70%-owned subsidiary of the Company, entered into an agreement with 建信信託有限責任公司 (CCB Trust Co., Ltd.*, "**CCB Trust**"), 河北炳傑新能源開發有限公司 (Hebei Bingjie New Energy Development Company Limited*, "**HBBJ**") and 臨西縣潤廣新能源科技有限公司 (Linxi County Runguang New Energy Technology Company Limited*, "**LXRG**"), pursuant to which (i) CCB Trust agreed to acquire the underlying economic interest derived from the entire equity interest in LXRG (the "**Economic Interest**") from HBBJ for a consideration of RMB450,000,000 (equivalent to HK\$535,714,000); (ii) BEWP undertook to acquire the Economic Interest upon the occurrence of any of the certain events for a maximum consideration amount of RMB469,575,000 (equivalent to HK\$559,018,000); and (iii) CCB Trust agreed to grant the call option (i.e. the right of BEWP to acquire the Economic Interest at a consideration amount of RMB499,275,000 (equivalent to HK\$594,375,000)) to BEWP for a premium in the maximum amount of RMB58,725,000 (equivalent to HK\$69,911,000). LXRG holds a 200MW wind power plant in Hebei Province, the PRC. Further details are set out in the Company's announcement dated 19 March 2019.

18. COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

During the year ended 31 December 2018, 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. It also had a non-core business in the design, printing and sale of cigarette packages (the “**Cigarette Packaging Business**”) in the PRC which was disposed of in January 2018. Further details of the disposal of the Cigarette Packaging Business are set out in the Company’s announcement dated 10 January 2018.

Financial highlights:

	2018	2017	Change
	HK\$’000	HK\$’000	%
Revenue	6,980,270	10,039,549	(30)
Gross profit	2,922,248	2,624,962	11
Profit for the year	1,377,956	1,576,326	(13)
Profit attributable to the equity holders of the Company	1,268,645	1,560,348	(19)
Basic EPS (<i>in HK cents</i>)	1.99	2.72	(27)
EBITDA	3,475,657	2,847,849	22
Total assets	43,408,150	35,995,682	21
Equity	10,875,407	9,004,029	21
Cash and cash equivalents	2,768,362	4,772,754	(42)

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

1.1 Sale of Electricity and Entrusted Operations

During the year, the Group steadily expanded its operating capacity through the investment, development, construction, operation and management of power plant projects, and the aggregate revenue in respect of the sale of electricity and the provision of entrusted management services amounted to approximately HK\$3,040.2 million (2017: approximately HK\$1,669.2 million), representing an increase of 82% 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 2.89 million (2017: approximately 1.58 million) megawatt-hour (“**MWh**”), representing an increase of 83% as compared to the corresponding period of last year.

1.1.1 Photovoltaic Power Plant Projects

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

During the year, the Group's centralised photovoltaic power business expanded steadily through acquisition of businesses from independent third parties and development and construction of photovoltaic power plants. The Group recorded revenue of approximately HK\$2,346.9 million (2017: approximately HK\$1,392.4 million) from the sale of electricity from the Group's centralised photovoltaic power plants, representing 34% (2017: 14%) of the Group's total revenue during the year.

As at 31 December 2018, the total capacity of centralised photovoltaic power plant projects held or under joint development by the Group in the PRC reached over 2,400 megawatt ("MW"), with over 50 projects in aggregate covering 12 provinces, 1 municipality and 3 autonomous regions in the PRC. These projects were mainly situated in photovoltaic resource areas II and III as promulgated by the National Development and Reform Commission of the PRC (the "NDRC"), locations considered by the management to be favourable for the development of the Group's Photovoltaic Power Business.

In relation to the Group's international business, the Group's first overseas centralised photovoltaic power plant with an operating capacity of approximately 6MW situated in Whyalla, Southern Australia, Australia was put into operation in July 2018. It represents the first centralised photovoltaic power plant in Southern Australia developed by a Chinese renewable energy company, signifying the recognition of the Group's technical strength.

As at 31 December 2018, 52 (2017: 43) centralised photovoltaic power plants held by the Group were in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 2,074MW (2017: 1,784MW), which is analysed below:

Location	Photovoltaic resource area	2018			2017		
		Number of plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)	Number of Plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)
PRC – Subsidiaries:							
Hebei Province	II/III	16	409	469,416	12	324	352,828
Henan Province	III	3	264	343,367	3	264	283,193
Anhui Province	III	6	191	191,760	7	249	220,645
Shandong Province	III	5	247	303,513	5	235	121,622
Guizhou Province	III	4	211	173,750	3	155	–
Shaanxi Province	II	2	160	235,501	2	160	210,088
Jiangsu Province	III	3	129	106,171	–	–	–
Jiangxi Province	III	3	125	136,890	3	125	51,627
Ningxia Hui Autonomous Region	I	1	100	136,138	1	100	–
Hubei Province	III	2	43	45,753	2	43	20,901
Jilin Province	II	1	30	47,693	1	30	14,320
Tibet Autonomous Region	III	1	30	26,280	1	30	35,472
Yunnan Province	II	1	22	32,639	1	22	32,005
Shanxi Province	III	1	20	29,557	1	20	29,960
		49	1,981	2,278,428	42	1,757	1,372,661
PRC – Joint ventures:							
Hubei Province	III	1	27	29,299	1	27	28,273
Anhui Province (note 3)	III	1	60	78,139	–	–	–
		2	87	107,438	1	27	28,273
PRC – Sub-total		51	2,068	2,385,866	43	1,784	1,400,934
Overseas – Subsidiary:							
Whyalla, Southern Australia, Australia	N/A	1	6	4,342	–	–	–
Total		52	2,074	2,390,208	43	1,784	1,400,934

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 2018, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects located in the PRC was approximately RMB0.84.

Note 3: The project was held by 穎上聚安光伏發電有限公司 (Yingshang Juan PV Power Generation Co., Ltd.*, “**Yingshang Juan**”), a then indirect wholly-owned subsidiary of the Group. Pursuant to an agreement dated 5 December 2018, the Group disposed of the entire interest in Yingshang Juan to 華潤北控(汕頭)新能源產業基金合夥企業(有限合夥) (CR BE (Shantou) New Energy Industrial Fund Partnership Corporation (Limited Partnership)*, “**CRBE Fund**”, 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*, collectively with CRBE Fund, the “**YSJA Purchasers**”). Upon completion of the disposal on 14 December 2018, Yingshang Juan ceased to be a wholly-owned subsidiary and became a joint venture of the Group. Further details of the disposal are set out in the Company’s announcement dated 5 December 2018. As a result of the above, the results of Yingshang Juan up to the date of disposal were consolidated into the Group’s results during the year.

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

On 11 June 2018, 12 photovoltaic power plants held by the Group with an aggregate installed capacity of approximately 384MW have been successfully registered into the seventh batch of the Renewable Energy Tariff Subsidy Catalogues (the “**Subsidy Catalogues**”) according to the notice of the registration results for the seventh batch of the Subsidy Catalogues jointly made by the Ministry of Finance, NDRC and National Energy Administration. Alongside the Group’s photovoltaic power plant registered in the sixth batch of the Subsidy Catalogues, the Group’s aggregate installed capacity of the photovoltaic power plants registered into the Subsidy Catalogues reached approximately 434MW. During the year, settlements of the renewable energy subsidies of these power plants in the amount of approximately HK\$470.4 million were received. The Group will continue its effort on registering the remaining photovoltaic power plant projects into the Subsidy Catalogues once upcoming Subsidy Catalogues are available for application.

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

In respect of the distributed photovoltaic power business, as at 31 December 2018, 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\$289.6 million during the year (2017: approximately HK\$74.3 million).

(d) *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*

	2018	2017	Changes
Weighted average curtailment ratio (%)	2.76	7.24	(4.48)
Weighted average utilisation hours (hours)	1,278	1,293	(15)

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 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.

(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\$185.6 million (2017: approximately HK\$136.7 million) was recognised during the year.

1.1.2 Wind Power Plant Projects

The technology and cost improvements and the supportive government policies drive new business opportunities in the wind power industry, and in particular, in low-altitude regions such as the Central and Eastern regions of the PRC which in general do not have curtailment issue. In the meantime, the curtailment ratio also keeps improving with the supportive government policies and measures in recent years, enabling a healthier investing and operating industry environment to the market participants. 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\$113.2 million (2017: approximately HK\$65.8 million) from the sale of electricity from the Group's wind power plants.

As at 31 December 2018, 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 1,300MW. 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, 4 projects (2017: 1 project) with an aggregate on-grid capacity of 117MW (2017: 48MW) were held by the Group and in operation as at 31 December 2018, which is analysed below:

Location	Wind resource area	2018		2017		
		Number of plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)	Number of Plants	Approximate total on-grid capacity (MW)
PRC – Subsidiaries:						
The Inner Mongolia Autonomous Region	I	3	69	87,630	–	–
Shandong Province	IV	1	48	109,928	1	108,227
Total		4	117	197,558	1	48

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

On 11 June 2018, a wind power plant located in Shandong Province, the PRC held by the Group with an installed capacity of 48MW has been successfully registered into the seventh batch of the Subsidy Catalogues. Alongside the two wind power plants located in the Inner Mongolia Autonomous Region, the PRC, which were acquired by the Group during the year with an aggregate installed capacity of 40MW and were registered in the fourth and sixth batches of the Subsidy Catalogues, the Group's aggregate installed capacity of the wind power plants registered into the Subsidy Catalogues reached 88MW. During the year, settlements of the renewable energy subsidies of these power plants in the amount of approximately HK\$61.3 million were received.

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

The curtailment ratio reduced from 2.14% during the year ended 31 December 2017 to 0.10% during the year ended 31 December 2018. The actual utilisation improved from 2,255 hours during the year ended 31 December 2017 to 2,308 hours during the year ended 31 December 2018.

(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\$104.9 million (2017: Nil) 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. During the year, the Group accommodated the industry policies and adjusted its business structure by facilitating 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. Revenue of approximately HK\$3,085.4 million (2017: approximately HK\$6,952.1 million) in aggregate arising from provision of engineering, procurement and construction services was recognised during the year, representing 44% (2017: 69%) of the Group's total revenue during the year and a decrease of 56% as compared to the corresponding period of last year. Nevertheless, following the expansion of the Clean Heat Supply Business, construction services revenue on clean heat supply facilities and related network connection services increased from approximately HK\$66.6 million during the year ended 31 December 2017 to approximately HK\$426.6 million during the year ended 31 December 2018.

In addition to the above, certain photovoltaic power plant and clean heat supply projects locating in Shandong and Shanxi provinces, the PRC, 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\$246.1 million (2017: approximately HK\$1,013.2 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 completion of the construction of a centralised photovoltaic project on a BOT Basis located in Shandong Province, the PRC.

In respect of the technical consultancy services, the Group successfully marketed the aforementioned qualification and experience to other industry participants. Revenue of approximately HK\$300.3 million (2017: approximately HK\$205.8 million) was recognised during the year.

1.3 Provision of Clean Heat Supply Services

Clean heat supply represents the production of low emission heat through the utilisation of clean energies such as natural gas, electricity, geothermal energy, biomass energy, photovoltaic power, industrial excess heat energy, clean coal (ultra-low emission) energy, river water source etc., and the supply of such heat to end users. In 2017, 83% of the heat supply region in the Northern PRC adopts coal as the source of heat supply, and increasing the proportion of clean heat supply usage shall improve the air pollution issue in the PRC. 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, the Clean Heat Supply Business shall have a favourable business prospects.

As at 31 December 2018, through development and business acquisition, 14 projects in operation with an aggregate actual clean heat supply area of over 23 million square meters locating in Henan, Hebei, Shanxi, Shaanxi, Ningxia Hui Autonomous Region, Liaoning, Shandong and other provinces were held and/or managed by the Group. Revenue of approximately HK\$308.3 million (2017: approximately HK\$20.4 million) arising from the provision of clean heat supply services was recognised by the Group during the year, representing an increase of approximately 14 times 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, energy storage, micro-grid network technologies, geothermal power, 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 Energy Storage Business

Energy storage is one of the key components and technologies for the energy structure reform and the clean energy power replacement in terms of enhancing the consumption of clean energy such as photovoltaic and wind power, improving the flexibility, cost-effectiveness and safety of the power system and the power grid, and supporting the developments of micro-grid network and multi-energy complement. It can be adopted for various power-related services including peak shaving and frequency modulation of the power system, and there is a broad development prospect.

The Group steadily developed its energy storage business and completed the construction of certain demonstrative and operating projects with an aggregate capacity of approximately 69MWh locating in Beijing, Tibet Autonomous Region, Jiangsu Province and Shanxi Province, the PRC during the year. In particular, the photovoltaic energy storage demonstrative project with a capacity of 20MWh in Tibet Autonomous Region, the PRC was awarded as the “Top Ten Models of Energy Storage Application and Innovation in 2018*” (“二零一八年度十大儲能應用創新典範”) in the Second International Energy Storage Innovation Competition* (第二屆國際儲能創新大賽) organised by the China Energy Research Society* (中國能源研究會).

The Group’s energy storage technology and development is well-recognised by the industry. At the 8th China International Energy Storage Conference* (第八屆中國國際儲能大會) organised by the committee of China International Energy Storage Conference* (中國國際儲能大會組委會), the Group was awarded the “2018 China Energy Storage Industry Best Photovoltaic Storage Integration Solution Award*” (“二零一八年度中國儲能產業最佳光儲充一體化解決方案獎”), the “2018 China Energy Storage Industry Best System Integration Solution Supplier Award*” (“二零一八年度中國儲能產業最佳系統集成解決方案供應商獎”) and the “2018 China Energy Storage Industry Best Design Institution Award*” (“二零一八年度中國儲能產業最佳設計院獎”). Besides, at the 2018 Global Solar and Energy Storage Congress and Expo* (二零一八中國國際光儲充大會) organised by Eastern China Energy Storage Alliance* (華東儲能領跑者聯盟), the Group was awarded the “Global Excellent Investors Award*” (“全球卓越投資商獎”) and the “Best Micro-grid Application Project of the Energy Storage Industry” (“儲能產業最佳微電網應用項目獎”).

1.4.2 Geothermal Business

Geothermal energy is a green, low-carbon and recyclable renewable energy with the characteristics of huge reserves, broad distribution, clean and environmental friendly, stability and reliability, and is a practical and competitive clean energy resource. The PRC has abundant resources, huge market potential and broad development prospects in respect of the geothermal energy. Accelerating the development and utilisation of geothermal energy is of great significance for the adjustment of energy structure, energy conservation, emission reduction and improvement of the environment, has remarkable pulling effects for cultivating emerging industries, facilitating new urbanisation development and creating job opportunities, and serves as an important measure to facilitate the construction of ecological civilisation. The “Thirteen Five-year Plan on the Development and Utilisation of Geothermal Energy”* (《地熱能開發利用十三五規劃》) published by the NDRC, the National Energy Administration and the Ministry of Land and Resources on 23 January 2017 sets out the guidelines, objectives, key tasks and significant layout for the development and utilisation of geothermal energy as well as the protection measures for the implementation of the plan, and is the basis of the development and utilisation of geothermal energy in the PRC during the Thirteen Five-Year Plan period and the first national-level plan for geothermal energy aspect.

As disclosed in the Company’s announcement dated 23 November 2018, the Group acquired the new exploration right in Tibet Autonomous Region, the PRC covering an area of approximately 105 square kilometres. The Company will continue to conduct in-depth researches, organise various exploration activities and facilitate the tasks necessary for the development of the project in due course, including the acquisition of relevant resource exploitation right and the utilisation of geothermal energy on areas such as power generation and heat supply, when the project is profitable and when the relevant clean energy resource can be effectively utilised.

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

The Group recorded revenue of approximately HK\$6,980.3 million (2017: approximately HK\$10,039.5 million) during the year ended 31 December 2018, representing a decrease of 30% as compared to the corresponding period of last year. During the year, the Group accommodated the industry policies and adjusted its business structure by facilitating 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\$3,040.2 million (2017: approximately HK\$1,669.2 million) in aggregate, representing an increase of 82% as compared to the corresponding period of last year; and (ii) construction services revenue was approximately HK\$3,331.5 million (2017: approximately HK\$7,965.3 million), representing a decrease of 58% as compared to the corresponding period of last year.

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

	2018			2017		
	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	2,636.5	66.3	1,747.7	1,466.7	69.4	1,018.6
Wind Power Business	113.2	61.0	69.1	65.8	60.2	39.6
Construction services	3,331.5	15.0	500.9	7,965.3	15.0	1,191.3
Technical consultancy services	300.3	86.6	260.0	205.8	89.9	185.1
Entrusted operations	290.5	88.6	257.4	136.7	90.0	123.0
Provision of clean heat supply services	308.3	28.3	87.1	20.4	31.4	6.4
Sale of cigarette packages	-	-	-	178.8	34.1	61.0
Total	6,980.3	41.9	2,922.2	10,039.5	26.1	2,625.0

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\$1,058.2 million for the year ended 31 December 2017 to approximately HK\$1,816.8 million during the year ended 31 December 2018, representing 62% (2017: 40%) 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 expansion 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 17% (2017: 45%) during the year. As a result of the change in revenue structure, overall gross profit percentage increased from 26.1% during the year ended 31 December 2017 to 41.9% during the year ended 31 December 2018.

2.2 Other income and gains, net

The Group's other income and gains, net achieved approximately HK\$334.1 million (2017: approximately HK\$183.0 million) during the year, which mainly comprised (i) gains on disposal of interests in subsidiaries of approximately HK\$69.2 million (2017: approximately HK\$35.2 million) in aggregate; (ii) interest income of approximately HK\$89.9 million (2017: approximately HK\$89.9 million); (iii) government grants of approximately HK\$148.3 million (2017: approximately HK\$54.1 million); and (iv) gains on bargain purchase of subsidiaries of approximately HK\$22.7 million (2017: Nil).

2.3 Administrative expenses

Administrative expenses mainly consisted of staff costs and head office expenses such as due diligence, office rental and legal and professional fees. The increase in administrative expenses to approximately HK\$664.3 million (2017: approximately HK\$476.7 million) was mainly attributable to the increases in (i) staff costs by approximately HK\$108.8 million as a result of the development and expansion of the Group's clean energy businesses; (ii) due diligence and legal and professional fees by approximately HK\$22.2 million for potential projects, new projects and existing operation; (iii) office rental by approximately HK\$15.4 million for business expansion; and (iv) equity-settled share option expenses by approximately HK\$16.5 million arising from the Company's share options granted on 18 September 2017.

2.4 Other operating expenses, net

It mainly represented loss allowances of financial assets of approximately HK\$35.8 million in aggregate. Upon the adoption of HKFRS 9 on 1 January 2018, impairment analysis is performed by the Group using a simplified approach for contract assets and trade receivables, and under general approach for the remaining financial instruments. Loss allowances for (i) contract assets and trade and bills receivables of approximately HK\$25.7 million have been recognised for the year ended 31 December 2018, and approximately HK\$18.7 million have been recognised to the retained earnings on 1 January 2018 during transition to HKFRS 9; and (ii) deposits and other receivables of approximately HK\$10.1 million have been recognised for the year ended 31 December 2018, and approximately HK\$4.1 million have been recognised to the retained earnings on 1 January 2018 during transition to HKFRS 9.

2.5 Finance costs

The increase in finance costs of the Group by approximately HK\$505.2 million to approximately HK\$975.2 million (2017: approximately HK\$470.0 million) was mainly attributable to the increase in the average balances of bank and other borrowings and 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 the acquisition and development of clean energy projects during the year.

2.8 Investment properties

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

2.9 Prepaid land lease payments

The increase in prepaid land lease payments was mainly attributable to the acquisition and development of clean energy projects during the year.

2.10 Goodwill

It was attributable to the acquisition of subsidiaries since 2016 and the increase was mainly attributable to the acquisition of clean energy projects during the year.

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 acquisition and construction of certain clean energy projects on a BOT Basis, and the increase in operating rights was attributable to the acquisition of photovoltaic and wind power and clean heat supply businesses 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.

2.13 Investments in associates

It represented (i) the Group's investment in Sichuan Jinyu Automobile City (Group) Co., Ltd.* (四川金宇汽車城(集團)股份有限公司, "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 17.72% by the Group and was principally engaged in the manufacture and sale of renewable energy and clean heat supply equipment; and (ii) the Group's investment in Beijing Enterprises City Investment Holdings Group Co., Ltd* (北控城投控股集團有限公司), an associate owned 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 power plant projects.

2.15 Contract assets and amounts due from contract customers

Upon adoption of HKFRS 15, amounts due from contract customers were reclassified to contract assets at beginning of the reporting period. Amounts due from contract customers as at 31 December 2017 of approximately HK\$2,028.9 million were mainly attributable to receivables from the provision of engineering, procurement and construction services for clean energy projects.

Contract assets as at 31 December 2018 of approximately HK\$4,501.7 million represented (i) gross receivables of 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\$2,491.8 million in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that were to be billed and settled upon registering into the Subsidy Catalogues; and (iii) loss allowances of contract assets of approximately HK\$23.9 million. Upon the adoption of HKFRS 15, the related balance of approximately HK\$1,626.8 million at beginning of the reporting period was reclassified from unbilled trade and bills receivables to contract assets.

2.16 Trade and bills receivables

Trade and bills receivables of approximately HK\$3,289.6 million (2017: approximately HK\$4,502.0 million) as at 31 December 2018 were mainly attributable to (i) gross receivables from the sale of electricity of the Photovoltaic Power Business and the Wind Power Business of approximately HK\$941.1 million (2017: approximately HK\$1,965.0 million); (ii) gross receivables from the provision of engineering, procurement and construction services for clean energy businesses of approximately HK\$2,087.2 million (2017: approximately HK\$2,485.3 million); and (iii) loss allowances of trade and bills receivables of approximately HK\$19.3 million.

As at 31 December 2018, 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\$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\$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. Subsidies amounted to approximately HK\$503.0 million were received by the Group during the year.

The decrease in trade receivables for the sale of electricity was primarily attributable to the reclassification of receivables of approximately HK\$1,626.8 million in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that were to be billed and settled upon registered into the Subsidy Catalogues to contract assets at beginning of the reporting period, and the decrease in trade and bills receivables from the provision of engineering, procurement and construction services was mainly due to the decrease in the extent of construction services provided for and settlements of receivables from customers during the year.

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\$2,910.9 million in aggregate to approximately HK\$7,961.0 million (2017: approximately HK\$5,050.1 million) in aggregate (non-current portion and current portion increased by approximately HK\$1,734.3 million and approximately HK\$1,176.6 million in aggregate respectively) 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 decrease in cash and cash equivalents by approximately HK\$2,004.4 million to approximately HK\$2,768.4 million (2017: approximately HK\$4,772.8 million) was mainly attributable to net effect of (i) the net increase in bank and other borrowings and finance lease payables; (ii) cash inflow on the issuance of the Perpetual Capital Instrument as defined in section headed “2.23 Liquidity and financial resources” in “Management Discussion and Analysis”; (iii) cash outflow on developing, acquiring and operating clean energy projects; and (iv) receipts of trade and bills receivables during the year.

2.19 Trade and bills payables

Trade and bills payables of approximately HK\$4,375.8 million (2017: approximately HK\$4,631.4 million) mainly represented trade and bills payables in relation to the provision of engineering, procurement and construction services.

2.20 Other payables and accruals

Other payables and accruals of approximately HK\$5,101.1 million (2017: approximately HK\$4,043.3 million) increased by approximately HK\$1,057.8 million, which was mainly due to the net effect of (i) settlement of construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) increase in the construction and equipment payable of projects acquired or under development by the Group during the year.

2.21 Interest-bearing bank and other borrowings and finance lease payables

Interest-bearing bank and other borrowings and finance lease payables of approximately HK\$22,242.5 million (2017: approximately HK\$17,708.7 million) in aggregate increased by approximately HK\$4,533.8 million in aggregate (non-current portion and current portion increased by approximately HK\$4,315.0 million in aggregate and approximately HK\$218.8 million in aggregate respectively), which was mainly attributable to the drawdown of bank and other borrowings and finance lease payables for the development of the clean energy businesses.

2.22 Capital expenditures

During the year ended 31 December 2018, the Group's total capital expenditures amounted to approximately HK\$8,040.3 million (2017: approximately HK\$8,564.6 million), comprising (i) development of photovoltaic and wind power plant projects, clean heat supply projects, and other property, plant and equipment of approximately HK\$3,311.4 million (2017: approximately HK\$4,062.1 million) in aggregate; (ii) addition to prepaid land lease payments of approximately HK\$30.0 million (2017: approximately HK\$53.1 million); (iii) acquisition of other intangible assets of approximately HK\$13.5 million (2017: approximately HK\$7.2 million); (iv) investments in and acquisition of equity interests in subsidiaries, joint ventures, associates and an available-for-sale investment of approximately HK\$4,685.4 million (2017: approximately HK\$4,267.2 million); and (v) acquisition of investment properties of nil (2017: approximately HK\$175.0 million).

2.23 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 2018, the Group's cash and cash equivalents amounted to approximately HK\$2,768.4 million (2017: approximately HK\$4,772.8 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 finance lease payables; (ii) perpetual capital instrument; and (iii) unutilised net proceeds raised from the open offer completed in September 2017 as illustrated below.

(a) *Long-term bank and other borrowings and finance lease payables*

As at 31 December 2018, the Group's total borrowings of approximately HK\$22,242.5 million (2017: approximately HK\$17,708.7 million) comprised (i) bank and other borrowings of approximately HK\$7,550.2 million (2017: approximately HK\$6,530.1 million); and (ii) finance lease payables of approximately HK\$14,692.3 million (2017: approximately HK\$11,178.6 million). 87% (2017: 85%) of the Group's borrowings are long-term borrowings and over 99% (2017: 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\$1,186,905,000). 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. No distribution was declared during the year.

(c) Update on the unutilised net proceeds raised from the open offer

On 11 September 2017, the Company completed an open offer (the “**Open Offer**”) on the basis of one (1) offer share for every seven (7) existing ordinary shares of the Company held by the qualifying shareholders at the subscription price of HK\$0.17 per offer share and a total of 7,820,619,687 offer shares were issued. The net proceeds received of HK\$1,328,225,000 shall be utilised as to 50% for organic growth (i.e. self-development of photovoltaic power plant projects) and 50% for acquisitions (including the potential acquisitions of established project companies in relation to photovoltaic and wind power businesses) as disclosed in the Company’s prospectus dated 21 August 2017.

As disclosed in the Company’s annual report for the year ended 31 December 2017, as at 27 March 2018, save as the unutilised net proceeds of approximately HK\$75.3 million to be utilised for the self-development of photovoltaic power plant projects in Anhui Province, the PRC, all the net proceeds were utilised as intended. During the year ended 31 December 2018 and as disclosed in the Company’s 2018 interim report, these unutilised net proceeds were fully utilised as intended.

As majority of the funding derives from equity funds from shareholders in prior years, long-term borrowings and the Perpetual Capital Instrument, the Group recorded net current assets position of approximately HK\$2,075.2 million (2017: approximately HK\$2,884.0 million) as at 31 December 2018.

The Group obtains certain unutilised banking facilities to enable higher flexibility and stability on capital management. As at 31 December 2018, the Group had unutilised banking facilities of approximately HK\$925.0 million (2017: approximately HK\$926.0 million) in aggregate with terms ranging from repayable on demand to 15 years (2017: ranging from repayable on demand to 10 years).

The Group's net gearing ratio, which was calculated by dividing net debt (defined as bank and other borrowings and finance lease payables, net of cash and cash equivalents) by the sum of net debt and total equity, was 64% (2017: 59%) as at 31 December 2018. The increase in net gearing ratio was mainly due to the net effect of (i) the increase in bank and other borrowings and finance lease payables for the purpose of funding the development of the clean energy businesses; and (ii) the increase in total equity arising from the issue of the Perpetual Capital Instrument during the year.

3. FUTURE OUTLOOK

Looking ahead, we see a prosperous future. The year of 2019 is the 70th anniversary of the founding of "New China", as well as a decisive year for building a moderately prosperous society in all respects and achieving the first centenary goal, and a decisive year for the Group developing to become a leading integrated clean energy service provider. Under the strategic guidance and ideology of the Board, the Group will continue to strengthen the existing operating results, implement cost reduction and efficiency enhancement, focus on the construction of intelligent organisation and advance our clean energy businesses to a new level based on the fundamental spirit of high-quality development. The Group will adhere to the construction of a long-term effective mechanism, reinforce risk control defence, implement an innovative-driven development strategy, strengthen the construction of organisational culture, be brave in taking responsibility, be good at implementation and be united to overcome challenges, and work tirelessly for "contributing our clean energy and building a green future".

CHARGE ON THE GROUP'S ASSETS

The secured bank and other borrowings, finance lease payables and bills payables of the Group as at 31 December 2018 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 2018, 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 (2017: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a (n) increase/decrease in the Group's net asset value. During the year ended 31 December 2018, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed 2,466 employees (2017: 1,668 employees) with total staff cost of approximately HK\$479.8 million incurred for the year ended 31 December 2018 (2017: approximately HK\$268.3 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

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

- (a) 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;
- (b) On 18 April 2018, 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*, "**Tianjin Clean Energy**") (as the purchaser) and an independent third party (as the vendor) (the "**XS Target Companies' Vendor**") entered into two equity transfer agreements, pursuant to which Tianjin Clean Energy agreed to acquire the entire equity interests in 響水恆能太陽能發電有限公司 (Xiangshui Hengneng Photovoltaic Power Co. Ltd.*, "**XSHN**") and 響水永能太陽能發電有限公司 (Xiangshui Yongneng Photovoltaic Power Co. Ltd.*, "**XSYN**") from the XS Target Companies' Vendor for an aggregate consideration of RMB457,679,000 (equivalent to HK\$544,856,000). In addition, pursuant to two debt settlement agreements entered into between Tianjin Clean Energy, the XS Target Companies' Vendor and XSHN and XSYN (as appropriate) dated 18 April 2018, Tianjin Clean Energy shall repay the liabilities for and on behalf of XSHN and XSYN in an aggregate amount of RMB893,056,000 (equivalent to HK\$1,063,162,000). XSHN and XSYN hold a 100MW photovoltaic power plant and a 20MW photovoltaic power plant in 鹽城市 (Yancheng City*), Jiangsu Province, the PRC, respectively. The equity transfers were completed in May 2018 and XSHN and XSYN became indirect wholly-owned subsidiaries of the Company. Further details are set out in the Company's announcement dated 18 April 2018;

- (c) On 12 July 2018, Tianjin Clean Energy (as the purchaser), an independent third party (as the vendor) (the “**NJJH Vendor**”) and 南京競弘新能源有限公司 (Nanjing Jinghong New Energy Co. Ltd.*, “**NJJH**”) entered into an equity transfer agreement, pursuant to which Tianjin Clean Energy agreed to acquire the entire equity interests in NJJH and 普安縣中弘新能源有限公司 (Puan County Zhonghong New Energy Co. Ltd.*, “**PAZH**”) from the NJJH Vendor for a consideration of RMB192,897,000 (equivalent to HK\$229,639,000). In addition, pursuant to a debt settlement agreement entered into between Tianjin Clean Energy, the NJJH Vendor, NJJH and PAZH dated 12 July 2018, Tianjin Clean Energy shall repay the liabilities for and on behalf of NJJH and PAZH in an aggregate amount of RMB174,063,000 (equivalent to HK\$207,218,000). PAZH is wholly-owned by NJJH and holds a 50MW photovoltaic power plant in 普安縣 (Puan County*), Guizhou Province, the PRC. The equity transfers were completed in August 2018 and NJJH and PAZH became indirect wholly-owned subsidiaries of the Company. Further details are set out in the Company’s announcement dated 12 July 2018; and
- (d) On 5 December 2018, the Company, 北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*), Tianjin Clean Energy (as the vendor), the YSJA Purchasers and YSJA entered into an agreement, pursuant to which Tianjin Clean Energy agreed to dispose of the entire equity interest in YSJA to the YSJA Purchasers for a consideration of RMB609,148,000 (equivalent to HK\$725,176,000). YSJA holds a 60MW photovoltaic power plant in Fuyang City (阜陽市), Anhui Province, the PRC. The equity transfer was completed in December 2018 and YSJA became a joint venture of the Group. Further details of the disposal are set out in the Company’s announcement dated 5 December 2018.

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 2018.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period are set out in page 21 of this annual results announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: 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 Thursday, 30 May 2019 (the “**AGM**”), the register of members of the Company will be closed from Friday, 24 May 2019 to Thursday, 30 May 2019 (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 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 Thursday, 23 May 2019.

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 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders’ interests. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the year ended 31 December 2018.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors namely Mr. Li Fujun (the chairman of the Audit Committee), Mr. Xu Honghua and Mr. Chiu Kung Chik. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.

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

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by the Company’s auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.bece.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

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

On behalf of the Board
Beijing Enterprises Clean Energy Group Limited
Mr. Hu Xiaoyong
Chairman

Hong Kong, 26 March 2019

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

* *for identification purpose only*