北控清潔能源集團有限公司

Beijing Enterprises Clean Energy Group Limited

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

Annual Report
2018

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Xiaoyong *(Chairman)*
Mr. Shi Xiaobei
Mr. Huang Weihua *(Chief Executive Officer)*
Mr. Wang Ye
Mr. Wen Hui

Independent Non-executive Directors

Mr. Li Fujun
Mr. Xu Honghua
Mr. Chiu Kung Chik

AUDIT COMMITTEE

Mr. Li Fujun *(Chairman)*
Mr. Xu Honghua
Mr. Chiu Kung Chik

NOMINATION COMMITTEE

Mr. Hu Xiaoyong *(Chairman)*
Mr. Li Fujun
Mr. Xu Honghua

REMUNERATION COMMITTEE

Mr. Chiu Kung Chik *(Chairman)*
Mr. Shi Xiaobei
Mr. Xu Honghua

COMPANY SECRETARY

Mr. Liu Kin Wai

STOCK CODE

1250

WEBSITE

www.bece.com.hk

INVESTOR RELATIONS CONTACT

Email Address: ir@bece.com.hk

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

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

In Mainland China:
Bank of China Limited
China Construction Bank Corporation
China Guangfa Bank Co., Ltd.
Ping An Bank Co., Ltd.

Group Structure

31 December 2018

Beijing Enterprises Water Group Limited#
(Stock code: 371)

31.88%

Beijing Enterprises Clean Energy Group Limited#
(Stock code: 1250)

Photovoltaic Power Business*

Hebei Province
Xingtai ("邢台")
Yuxian ("蔚縣")

Henan Province
Anyang ("安陽")
Qixian Miaokou ("淇縣廟口")
Qixian Beiyang ("淇縣北陽")

Anhui Province
Jinzhai ("金寨")

Shandong Province
Xintai ("新泰")
Weishan ("微山")

Guizhou Province
Xingyi ("興義")
Pu'an Moshe ("普安磨舍")
Pu'an Louxia ("普安樓下")

Shaanxi Province
Jingbian ("靖邊")
Yuyang ("榆陽")

Other Provinces and Autonomous Regions
Zhongning ("中寧")
Nanchang ("南昌")
Yancheng ("鹽城")

Wind Power Business

Shandong Province
Binzhou ("濱州")

The Inner Mongolia Autonomous Region
Baotou ("包頭")

Clean Heat Supply Business

Hebei Province
1 Project

Henan Province
2 Projects

Ningxia Hui Autonomous Region
1 Project

Shaanxi Province
2 Projects

Shandong Province
1 Project

Shanxi Province
4 Projects

The Inner Mongolia Autonomous Region
1 Project

Listed on the Main Board of The Stock Exchange of Hong Kong Limited.
* Only projects with total capacity of 50MW or above are disclosed.
Note: The above group structure only lists out major projects in operation and held by the Group's subsidiaries.

Chairman's Statement

Dear Shareholders,

In 2018, China's annual gross domestic product increased by 6.6% as compared to last year. China's economy operates stably yet with changes, concerns and opportunities, and is still in an important period of strategic opportunity for development. The power consumption of China continues to increase. The total social power consumption reached 6,844.9 billion kilowatt-hours ("kWh"), representing a year-on-year increase of 8.5% with the growth rate reaching a 7-year high, which creates vast development prospects for the clean energy industry. The annual newly-installed capacity of power generation in China reached 120 million kilowatts ("kW"), of which the newly-installed capacity of non-fossil energy power generation accounted for 73.0% of the total newly-installed capacity, reflecting the increasing prominence of the clean energy substitution. The newly-installed capacity of photovoltaic power generation reached 44.26 million kW and the photovoltaic power generation volume in China reached 177.5 billion kWh, representing a year-on-year increase of 50%. The newly-installed capacity of wind power reached 20.59 million kW and the wind power generation volume in China reached 366.0 billion kWh, representing a year-on-year increase of 20%. The average curtailment ratio of photovoltaic power in China was 3%, representing a year-on-year decrease of 2.8%; while the average curtailment ratio of wind power in China was 7%, representing a year-on-year decrease of 5%. The National Energy Administration organised relevant authorities implementing "The Clean Energy Consumption Action Plan (2018-2020)*" ("清潔能源消納行動計劃（2018-2020年）") and soliciting opinions on quota and assessment methodology of renewable energy power for the third time, with an aim to relieve the investment and operational burden of renewable energy industry, facilitate cost reduction of renewable energy and the grid parity of wind power and photovoltaic power, and promote the clean energy industry to a stage of high-quality development.

Beijing Enterprises Clean Energy Group Limited (the "Company", together with its subsidiaries, the "Group" or "BECE") fully leverages on the advantageous resources of its three major shareholders (i.e. Beijing Enterprises Water Group Limited ("BEWG", a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 371)), the private equity funds managed by CITIC Private Equity Funds Management Co., Ltd. and 啟迪控股股份有限公司 (Tus-Holding Co., Ltd.*) as well as the Group's experienced management team, principally focuses on the clean development and use of energy providing "clean energy plus" solutions, and aims at building a clean energy business ecosystem featuring multi-energy complement and synergies on varieties of business lines and profit sources under the strategic leadership of the board (the "Board") of directors (the "Directors") of the Company. The Group steadily develops its scale of high-quality clean energy assets base and continues exploring various areas such as energy storage, micro-grid network technologies, geothermal power and distribution and sales of electricity on the foundation of the existing photovoltaic power business, wind power business and clean heat supply business, with an aim to become a leading integrated clean energy service provider.

PERFORMANCE

In 2018, the Group accommodated to the changes in the macro environment and 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. As a result of the changes in the Group's revenue structure and business focus, the Group's revenue decreased by 30% to approximately HK$6,980 million in 2018 as compared to 2017. Nevertheless, the Group's gross profit ratio increased by 16% in 2018 as compared to 2017, and the Group's total gross profit also increased by 11% to approximately HK$2,922 million in 2018 as compared to 2017.

In 2018, profit attributable to the equity holders of the Company was approximately HK$1,269 million, representing a decrease of 19% as compared to 2017. Such decrease was primarily attributable to the increase in administrative expenses for business structure adjustment and new business projects, and the increase in finance costs attributable to the increases in average total balances of bank and other borrowings and finance lease payables in 2018 as compared to 2017. The Company expects that the change of business structure, the commencement of operation of new business projects and the continuing improvement of quality of existing projects will lay a foundation for the Group's continuous value enhancement.

PERFORMANCE REVIEW

The Group actively copes with the changes in photovoltaic industry policies to steadily develop its photovoltaic power business, making persistent efforts on cost reduction, efficiency enhancement and technological innovation, and supporting targeted poverty alleviation. As at 31 December 2018, by ways of self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and to-construct centralised photovoltaic power plants reached over 2,400 megawatt ("MW"). In particular, the aggregate on-grid installed capacity of the centralised photovoltaic power plants held by the Group was approximately 2,074MW, mainly situated in Anhui Province, Shandong Province, Hebei Province and Henan Province, etc., mainly in resource areas II and III as promulgated by the National Development and Reform Commission (the "NDRC") of the People's Republic of China (the "PRC"), involved in landscapes such as mountain, plateau, desert and water surface, and consisted of the developments of "photovoltaic plus" projects such as agricultural-photovoltaic power, husbandry-photovoltaic power, fishery-photovoltaic power and photovoltaic power energy storage projects according to the environment conditions. Among which, 13 projects with an aggregate installed capacity of approximately 434MW have been registered into the Renewable Energy Tariff Subsidy Catalogues (the "Subsidy Catalogues"), and operation of the Group's first overseas centralised photovoltaic power plant situated in Whyalla, Southern Australia, Australia has been commenced during the year. The project quality is recognised by the local authorities, laying a good business foundation for the Group's future international clean energy development. 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. In 2018, projects held by the Group and in operation achieved photovoltaic power generation volume of 2.696 billion kWh, representing a year-on-year increase of 83%. The weighted average utilisation hours of centralised photovoltaic power plant projects held by the Group and in operation for the full year reached 1,278 hours, which was higher than the national average utilisation hours of 1,115 hours. In addition, in response to the national policy of "targeted poverty alleviation", during the year, the Group installed three centralised photovoltaic poverty alleviation projects with a total designed capacity of 100MW in Hebei Province, providing subsidies in the total amount of approximately RMB244 million to 4,067 poverty-stricken families in 20 years from the commencement of operation of these projects.

Chairman's Statement

The wind power industry maintained a positive development trend in 2018. The introduction of policies on reduction of subsidies and competitive bidding for grid connection also posed higher requirements on the industry, laying a foundation for the industry to a stage of high-quality development. As at 31 December 2018, the Group obtained high-quality projects by ways of self-development, joint development, acquisitions, etc., and the aggregate capacity of the grid-connected, under-construction and approved-to-construct wind power projects reached over 1,300MW, mainly located in Hebei Province, Henan Province, Shandong Province and The Inner Mongolia Autonomous Region and mainly situated in resource area IV as promulgated by the NDRC. As at 31 December 2018, the total installed capacity of on-grid wind power projects held by the Group was approximately 117MW, located in Shandong Province and The Inner Mongolia Autonomous Region. Among which, 3 projects with a total installed capacity of approximately 88MW have been registered in the Subsidy Catalogues. During the year, projects held by the Group and in operation achieved wind power generation volume of 0.198 billion kWh, representing a year-on-year increase of 83% and there was basically no curtailment issue. The utilisation hours of project held by the Group and in operation for the full year reached 2,308 hours, which was higher than the national average utilisation hours of 2,095 hours. The Group will continue to leverage on its comprehensive advantages in technology, branding, investment and financing costs to steadily develop its wind power business.

In recent years, in order to reduce the frequent occurrence of haze weather and ensure the warmth of people over the winter, clean heat supply has been promoted to a national strategy. Since 2017, various provinces, cities and regions including the Beijing-Tianjin-Hebei region, northeast China region, northwest China region, etc. have formulated clean heat supply targets based on the local heat supply demand characteristics, resource endowment conditions and economic development level with reference to the principle of "adoption of electricity, natural gas, coal or heat supply as appropriate". According to the heat supply and relevant planning for the "13th Five-Year Plan" period as promulgated in various locations, the potential area of heat supply development for the "13th Five-Year Plan" period in 15 provinces, cities and regions in northern China region was approximately 3.23 billion square meters, giving rise to a huge demand in the clean heat supply market, which is beneficial to the sustainable development of the Group's clean heat supply business. The Group proactively develops its clean heat supply business in Henan, Hebei, Shanxi, Shaanxi, Ningxia Hui Autonomous Region, Liaoning, Shandong and other provinces riding on a number of clean heat supply technologies including natural gas, industrial excess heat energy utilisation, clean coal consumption and water source heat pump according to the local circumstances. As at 31 December 2018, the Group's actual clean heat supply area in operation reached over 23 million square meters.

Energy storage is an important component and a key supporting technology for smart grid, energy systems with high proportion level of renewable energy and "internet plus" smart energy, and there is a broad prospect for the industry. As at 31 December 2018, the Group completed the construction of four energy storage projects covering peak shaving and frequency modulation with a total capacity of approximately 69 megawatt-hours in Beijing, Tibet Autonomous Region, Jiangsu Province and Shanxi Province. In particular, the energy storage project situated in The Place, a landmark building in Beijing, fully leverages on the viscosity of energy storage system. By effectively combining the energy storage system with the charging pile system, the capacity restriction issue on installing electric vehicle charging piles at end of the urban grid is resolved. On the other hand, the energy storage project in Tibet Autonomous Region is innovative with high technical difficulty, and 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）.

In respect of other businesses, in November 2018, the Group acquired the new exploration right of the geothermal field in Kawu, Shigatse City, Tibet Autonomous Region, which covers an area of approximately 105 square kilometres. The field has an estimated power generation potential of up to approximately 80MW, which is considered as a relatively large scale potential geothermal energy development project in the PRC. 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.

In terms of financing, the Group's business development is mainly supported by shareholders' equity and long-term borrowings. In November 2018, the Group completed the issuance of corporate green panda perpetual capital instrument (first tranche) at the issuance size of RMB1 billion with the issuer rating and the capital instrument rating of AA+, and was awarded as one of the "Outstanding Fixed Income Product Issuers*" ("優秀固收產品發行人") in 2018 by the Shenzhen Stock Exchange. The issuance reduced the Group's asset-liability ratio and increased the Company's equity.

On 29 November 2018, the Company was awarded as one of the "Energy Decade New Energy Model Enterprise*" ("能源十年新能源榜樣企業") at the 2018 Annual Energy Meeting and the 10th China Energy Enterprise Executive Forum* (2018能源年會暨第十屆中國能源企業高層論壇) organised by the Energy Magazine* ("能源"雜誌社) under the State-owned Assets Supervision and Administration Commission of the State Council. The award represents the industry recognition of the Group's outstanding achievements in leading the new energy industry development and its tremendous contribution to China's energy transformation and innovative development.

CORPORATE MANAGEMENT AND CONTROL AND SUSTAINABLE DEVELOPMENT

In 2018, the Group adhered to the management principles of "sufficient authorisation, goal-oriented, positive incentives, and control and review in place" and the operating principles of "lean operation, outstanding employees, high-quality products and innovation", to continuously optimise the system process construction and the management and control system. Through the overall risk assessment covering the Group's entire business chain, the Group strengthened projects review on pre-investment, investment and post-investment stages to effectively control risks, resolve identified issues in a timely manner and improve the quality of existing assets. The Group also comprehensively carried out the standardisation of power stations construction, implemented refined management, enhanced the core competitiveness of the operation and maintenance team and solidly promoted energy conservation and consumption reduction, resulting significant improvement of the production management level.

The Group adhered to the core values of "being responsible, having values and being sharing" on the comprehensive organisational capacity building, refining the basic cultural principles, cultural code of conduct and mission and vision through multi-level cultural consensus camps and various cultural construction efforts. The "BECE Cultural Principles" featured by sincerity and reality is established through these processes, which provides an execution manual for the Group's entire business participants in conducting businesses, building consensus and achieving business collaboration.

Chairman's Statement

The Group kept on enhancing the safety and quality management foundation. During the year, the Group successfully passed the annual supervision assessment of the three standard systems regarding occupational health and safety, quality and environment. There were no environmental and production safety accidents occurred during the year and on the other hand, the Group established "BECE Safety Culture" through a number of safety, quality and environmental training and promotional activities, with an aim to promote all employees reinforcing the safety and quality defences. The Group also facilitated its engineering and construction management quality towards domestic leading benchmark by completing industry and national quality projects. In addition, the Group was commissioned by China Electric Power Construction Association during the year to lead the preparation of the "Code for the Implementation of Safety Production Standardisation for Power and New Energy Constructions*" ("電力新能源建設工程安全生產標準化實施規範"), with an aim to enhance the safety production standards for the power and new energy industry.

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".

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

Hu Xiaoyong
CHAIRMAN

Hong Kong, 26 March 2019

* *For identification purposes only*

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 (in HK cents)	**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. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations

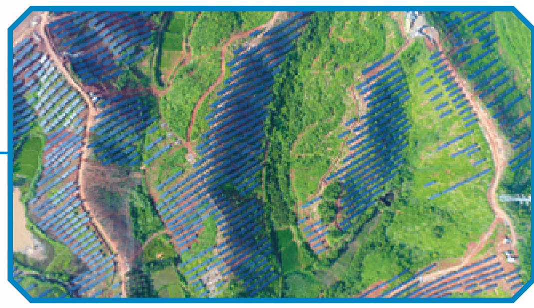
During the year, the Group steadily expanded its operating capacity through the investment, development, construction, operation and management of power plant projects, and the aggregate revenue in respect of the sale of electricity and the provision of entrusted management services amounted to approximately HK$3,040.2 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.

Centralised Photovoltaic Power Plant, Weishan County, Shandong Province



Centralised Photovoltaic Power Plant, Jinzhai County, Anhui Province

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.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

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

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 Number of plants	2018 Approximate total on-grid capacity (MW)	2018 Approximate electricity sales volume (note 1) (MWh)	2017 Number of Plants	2017 Approximate total on-grid capacity (MW)	2017 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

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

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

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 潁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.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

(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).

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

(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.

Management Discussion and Analysis

31 December 2018

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

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.

Wind Power Plant, Binzhou, Shandong Province

Wind Power Plant, Baotou City,
The Inner Mongolia Autonomous Region

(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:

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

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.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.2 Wind Power Plant Projects (Continued)

(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.

1. BUSINESS REVIEW (CONTINUED)

1.2 Engineering, Procurement and Construction Services, and Technical Consultancy Services (Continued)

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.

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

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. BUSINESS REVIEW (CONTINUED)

1.4 Other Clean Energy Businesses (Continued)

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. BUSINESS REVIEW (CONTINUED)

1.4 Other Clean Energy Businesses (Continued)

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.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.1 Revenue and gross profit margin (Continued)

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. FINANCIAL PERFORMANCE (CONTINUED)

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. FINANCIAL PERFORMANCE (CONTINUED)

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.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.15 Contract assets and amounts due from contract customers (Continued)

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. FINANCIAL PERFORMANCE (CONTINUED)

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. FINANCIAL PERFORMANCE (CONTINUED)

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$1,131,315,000). There is no maturity of the instrument 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.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.23 Liquidity and financial resources (Continued)

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

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.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Fluctuation in currency exchange rates

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

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due. During the year, the Group steadily expanded the clean energy businesses (i.e. the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business), which require material funding in investment and development stages. In managing the liquidity risk, the Group, among others, (i) obtains long-term borrowings and issues perpetual capital instrument as detailed under the section headed "2.23 Liquidity and financial resources" in "Management Discussion and Analysis"; (ii) monitors and maintains an adequate level of cash and credit facilities; and (iii) timely monitors the settlements of receivables.

Policy risks

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

Other business risks

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 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.

CORPORATE SOCIAL RESPONSIBILITY

Environmental policies and performance

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

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Compliance with relevant laws and regulations

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

Relationship with stakeholders

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

(a) Employees: The Company places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions;

(b) Shareholders and investors: Details of which are set out in the section headed "Investor Relations – Communication with shareholders" in the "Corporate Governance Report" of this annual report;

(c) Customers: The Group understands that it is important to maintain good relationship with customers and provide products in a way that satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner; and

(d) Suppliers and contractors: The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stable supply of materials and timely delivery of construction works. We reinforce business partnerships with suppliers and contractors by on-going communication in a proactive and effective manner so as to ensure quality and timely delivery.

Environmental, social and governance report

Further details of the Group's commitment and strategies to sustainability and the performance in environmental contributions, employee relations, supply chain management, occupational health and safety and social investments of the core business of the Group for the year ended 31 December 2018 are set out in the Group's Environmental, Social and Governance Report for the year ended 31 December 2018, which will be published on the websites of the Company (www.bece.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) by the end of July 2019.

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.

* *For identification purposes only*

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2018.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Group strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Group. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for shareholders.

In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

Role and delegation

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

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

BOARD OF DIRECTORS (CONTINUED)

Composition

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

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

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this annual report. Directors have disclosed their number and nature of offices held in public companies or organisations and other significant commitments in their biographies. They are also reminded to notify the Company of any change of the information in a timely manner. Besides, Mr. Hu Xiaoyong, Mr. Shi Xiaobei, Mr. Huang Weihua and Mr. Wang Ye, the executive Directors, currently serve as directors of certain subsidiaries of the Group. Except for the relationships (including financial, business, family, and other material and relevant relationships) as detailed in the biographies of the Directors set out on pages 44 to 46 of this annual report, there are no other relationships among the Board members to the best knowledge of the Board as of the date of this annual report.

Chairman and Chief Executive Officer

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

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

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

BOARD OF DIRECTORS (CONTINUED)

Independent non-executive Directors

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

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

Corporate governance functions

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

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(v) to review the Company's compliance with the CG Code and disclosures in the Company's Corporate Governance Report.

Nomination Policy and Board diversity

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

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

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

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

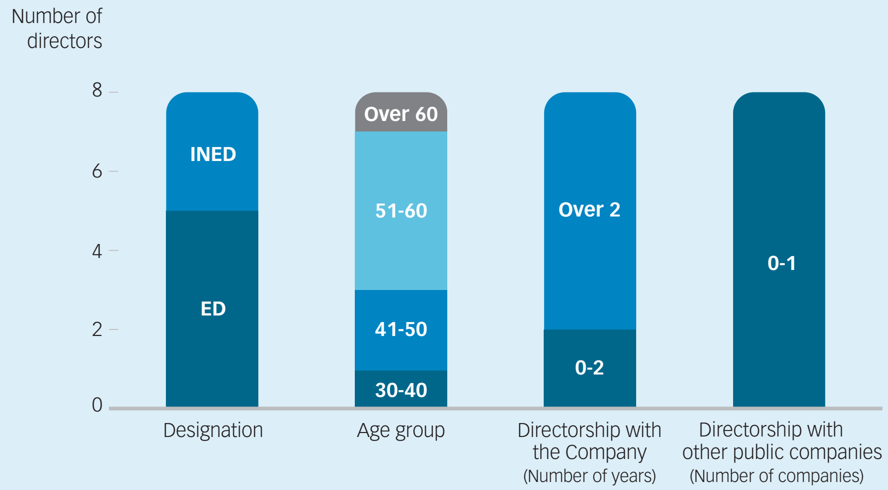
BOARD OF DIRECTORS (CONTINUED)

Nomination Policy and Board diversity (Continued)

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

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

The illustration of the Board diversity as at 31 December 2018 is shown below while the detailed biographies (including their roles, function, skills and experience) are set out in this annual report under the section headed "Directors and Senior Management".



Remarks: ED – Executive Directors
INED – Independent non-executive Directors

BOARD OF DIRECTORS (CONTINUED)

Tenure

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

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

Directors' induction and continuous professional development

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

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

According to the records maintained by the Company, the Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirements of the CG Code on continuous professional development during the year ended 31 December 2018.

	Corporate Governance/ Updates on laws, rules & regulations	
Directors	**Read materials**	**Attended seminars/ briefings**
Executive Directors		
Mr. Hu Xiaoyong	✔	✔
Mr. Shi Xiaobei	✔	✔
Mr. Huang Weihua	✔	✔
Mr. Wang Ye	✔	✔
Mr. Wen Hui	✔	✔
Independent non-executive Directors		
Mr. Li Fujun	✔	✔
Mr. Xu Honghua	✔	✔
Mr. Chiu Kung Chik	✔	✔

BOARD COMMITTEES

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

Audit Committee

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

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

The meetings of the Audit Committee shall be held at least twice a year and when necessary. During the year ended 31 December 2018, the Audit Committee had held two meetings during which the Audit Committee has performed the following major works:

- reviewed the results announcements and the financial statements for the year ended 31 December 2017 and for the six months ended 30 June 2018 respectively;
- reviewed the continuing connected transactions of the Group;
- considered and approved the audit work of the external auditor and monitored its independence;
- reviewed the business and financial performance of the Company; and
- reviewed the effectiveness of the Company's internal audit function, risk management and internal control systems.

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

Nomination Committee

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

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

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the year ended 31 December 2018, the Nomination Committee had held one meeting during which the Nomination Committee has performed the following major works:

- reviewed and made recommendations to the Board on the re-appointment of Directors;
- reviewed the size, structure and composition of the Board and the Board Diversity Policy to complement the Group's corporate strategy; and
- assessed the independence of independent non-executive Directors.

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

Remuneration Committee

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

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

The meeting of the Remuneration Committee shall be held at least once a year and when necessary. During the year ended 31 December 2018, the Remuneration Committee had held one meeting during which the Remuneration Committee has performed the following major works:

- reviewed the remuneration policy and structure of the Company;
- reviewed the remuneration packages for executive Directors and senior management of the Company; and
- reviewed the remuneration of the independent non-executive Directors.

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

BOARD AND BOARD COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and the annual general meeting held during the year ended 31 December 2018 are set out below:

	Meetings attended/held				
Name of Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Executive Directors					
Mr. Hu Xiaoyong *(Chairman)*	4/7	–	1/1	–	1/1
Mr. Shi Xiaobei	5/7	–	–	1/1	1/1
Mr. Huang Weihua *(Chief Executive Officer)*	6/7	–	–	–	0/1
Mr. Wang Ye	7/7	–	–	–	0/1
Mr. Wen Hui	7/7	–	–	–	0/1
Independent non-executive Directors					
Mr. Li Fujun	7/7	2/2	1/1	–	1/1
Mr. Xu Honghua	7/7	1/2	1/1	1/1	0/1
Mr. Chiu Kung Chik	7/7	2/2	–	1/1	1/1

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2018, the Directors have selected suitable accounting policies and applied them consistently (except for the adoption of revised standards, amendments to standards and interpretation); adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditor, is set out on pages 68 to 73 of the "Independent Auditor's Report" in this annual report.

Auditor's remuneration

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing the non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, external auditor's remuneration for audit services was approximately HK$5.1 million and for non-audit service assignments was approximately HK$1.8 million, which represented agreed-upon procedures engagements such as for the Group's interim report, other assurance engagement for the issuance of a perpetual capital instrument, and taxation and compliance services. The Audit Committee had satisfied that the non-audit services in 2018 did not affect the independence of the external auditor.

Risk management and internal control

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

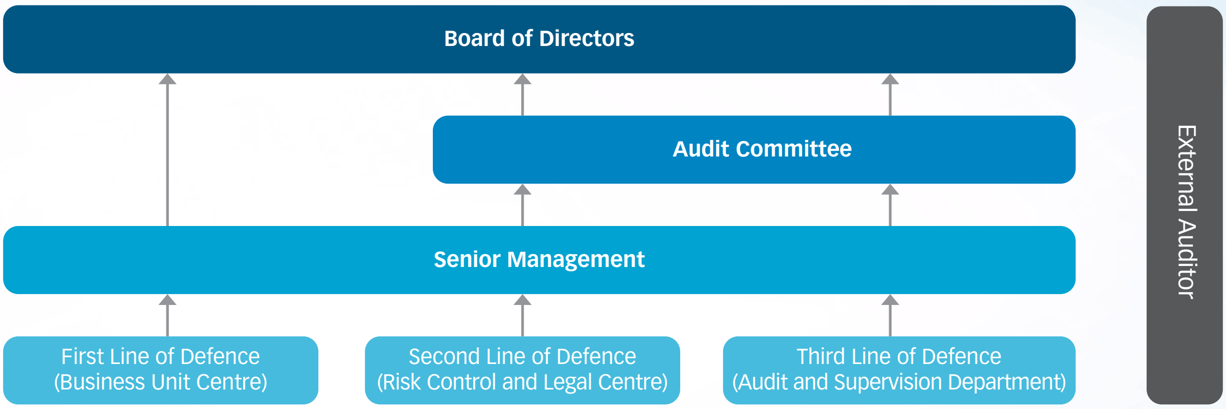
The Board understands that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The systems are designed to manage rather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

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

ACCOUNTABILITY AND AUDIT (CONTINUED)

Risk management and internal control (Continued)

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



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

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

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

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

(i) Risk Identification: identify risks that may potentially affect the Group's businesses and operations;

(ii) Risk Evaluation: consider the impact on the business and the likelihood of their occurrence; and

(iii) Risk Management: perform on-going and periodic monitoring of the risks and ensure that appropriate internal control processes are in place.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Risk management and internal control (Continued)

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

The Audit and Supervision Department has conducted an assessment in respect of the risk management and internal controls of the Group for the year ended 31 December 2018 and reported the review results to the Audit Committee. All major findings were communicated to senior management of the respective business units or departments to enforce the remediation.

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

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

Inside information

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

COMPANY SECRETARY

Mr. Liu Kin Wai, the company secretary of the Company (the "Company Secretary"), is a full time employee of the Company and has complied with the relevant professional training required under Rule 3.29 of the Listing Rules during the year.

SHAREHOLDERS' RIGHTS

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

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

Procedures for directing shareholders' enquiries to the Board

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

SHAREHOLDERS' RIGHTS (CONTINUED)

Procedures for putting forward proposals at shareholders' meetings

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

1. A shareholder of the Company shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/EGM.

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at Rooms 6706-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. The period for lodgement of the foregoing notices required under the Articles of Association shall commence on the day after the despatch of the notice of the AGM/EGM and end no later than 7 days prior to the date of the AGM/EGM and such period shall be at least 7 days.

4. The notice will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to consider to include the proposed resolutions in AGM/EGM.

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

INVESTOR RELATIONS

Communication with shareholders

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

During the year ended 31 December 2018, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and potential investors through various channels such as meetings, telephone and emails; and

2. updated regularly the Company's news and developments through the Company's website.

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

Constitutional documents

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

INVESTOR RELATIONS (CONTINUED)

Dividend Policy

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

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

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

Director and Senior Management

DIRECTORS

Executive Directors

Mr. Hu Xiaoyong ("Mr. Hu"), aged 54, was appointed as the Chairman and an executive director of the Company in May 2015. Mr. Hu is also the chairman of the Nomination Committee of the Company. Mr. Hu graduated from the Tsinghua University（清華大學）with an executive master degree of business administration. He has approximately 22 years' experience in business management. From 2001 to 2013, Mr. Hu worked with 中科成環保集團有限公司 (Zhong Ke Cheng Environment Protection Group Company Limited*) as chairman. He was an executive director and the chief executive officer of Beijing Enterprises Water Group Limited (stock code: 371) ("BEWG"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from 1 August 2008 to 30 March 2016. He has been appointed as the honorary chairman of BEWG since 30 March 2016. From 23 September 2014 to 2 October 2018, he was an executive director of Beijing Enterprises Medical and Health Industry Group Limited (stock code: 2389), a company listed on the main board of the Stock Exchange. On 31 January 2019, Mr. Hu has been appointed as an independent non-executive director of China Resources Gas Group Limited (stock code: 1193), a company listed on the main board of the Stock Exchange.

Mr. Shi Xiaobei ("Mr. Shi"), aged 43, was appointed as an executive director of the Company in May 2015. Mr. Shi is also a member of the Remuneration Committee of the Company. Mr. Shi graduated from the University of International Business and Economics（對外經濟貿易大學）with a bachelor's degree of Economics in 1998 and obtained a degree of Master of Science in business administration from The University of British Columbia in 2003. He has approximately 15 years' experience in the field of banking and investment services in Hong Kong and Mainland China. From 2003 to 2004, Mr. Shi joined Macquarie Group, which is a sizable worldwide personal bank, as a manager of Macquarie Service (Hong Kong) Ltd., one of the companies within the Macquarie Group. From 2004 to 2012, he was promoted to the president and the managing director of infrastructure, resources and general industrial business of Macquarie Investment Advisory (Beijing) Co., Ltd., a company within the Macquarie Group situated in the People's Republic of China (the "PRC"). Since 2012, Mr. Shi has worked with CITIC Private Equity Funds Management Co., Ltd. as the department head of the international investment department.

Mr. Huang Weihua ("Mr. Huang"), aged 56, was appointed as the Chief Executive Officer and an executive director of the Company on 23 January 2017. Mr. Huang holds a master degree from the Tsinghua University School of Economics and Management and is a senior engineer. He has over 32 years of operational and management experiences in energy-related, clean energy-related and environmental protection-related industries, and previously served as the chief engineer of 北京國投節能公司 (Beijing State Investment Energy Conservation Company*), a vice general manager of 中節能風力發電投資有限公司 (China Energy Conservation Wind Power Generation Investment Company Limited*), the chairman of 浙江運達風力發電工程有限公司 (Zhejiang Windey Engineering Co., Ltd.*) and a general manager of 中環保水務投資有限公司 (General Water of China Co. Ltd.*). Prior to joining the Company, Mr. Huang was the chairman of 北京可汗之風科技有限公司 (Beijing Khanwind Technology Company Limited*).

DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. Wang Ye ("Mr. Wang"), aged 65, was appointed as the President of the Company in May 2015 and was appointed as the executive director of the Company in October 2015. Mr. Wang is responsible for the implementation of the development strategy for the Company's clean energy businesses. Mr. Wang is a senior engineer and has received rigorous professional training on nuclear power plants in France and became one of the first generation of nuclear power experts in the PRC. Mr. Wang has extensive working experience in the photovoltaic power industry. Mr. Wang was the technology director of 中廣核太陽能開發有限公司 (CGN Solar Energy Development Co., Ltd.*) from October 2009 to March 2014, of which, Mr. Wang was responsible for the construction of nearly 30 photovoltaic power plants in the PRC with the aggregate installed capacity amounting to 600 megawatt. Mr. Wang has also been involved in research projects in relation to the photovoltaic power generation technology, and has participated in the preparation and review of several national standards in the photovoltaic power generation field in the PRC; he also led the writing of the technical codes of photovoltaic power generation equipment, which have been widely adopted in the photovoltaic power generation industry. In 2011, Mr. Wang was appointed by 青海省能源開發建設協調領導小組 (Cooperative Lead Group of Energy Development and Construction of the Qinghai Province*) as a committee expert and he is the prestigious technical expert in the photovoltaic power generation field in the PRC.

Mr. Wen Hui ("Mr. Wen") (formerly known as Wen Huichen), aged 47, was appointed as an executive director of the Company on 23 January 2017. Mr. Wen holds a bachelor's degree in automation control and a master degree of business administration from the Tsinghua University. He has extensive operational and management experiences in clean energy-related and environmental protection-related industries. He previously served as a vice general manager of 北京亞都科技股份有限公司 (Beijing Yadu Technology Company Limited*), the president of 北京亞都室內環保科技股份有限公司 (Beijing Yadu Interior Environmental Technology Company Limited*) and the chairman of 北京啟迪清風科技有限公司 (Beijing Tus-Wind Technology Company Limited*), and currently serves as the chairman of 北京啟迪清芸能源科技有限公司 (Beijing Tus-Tsingyun Energy Technology Company Limited*) and the chairman of 北京啟迪清潔能源科技有限公司 (Beijing Tus Clean Energy Technology Company Limited*). On 10 July 2018, Mr. Wen has been appointed as the vice president of 啟迪控股股份有限公司 (Tus-Holding Co., Ltd.*); and on 26 September 2018, he has been appointed as the vice chairman and a director of 啟迪桑德環境資源股份有限公司 (Tus-Sound Environmental Resources Co., Ltd.*) (stock code: 000826.SZ), a company listed on the Shenzhen Stock Exchange.

Independent Non-executive Directors

Mr. Li Fujun ("Mr. Li"), aged 55, was appointed as an independent non-executive director of the Company on 29 July 2016. Mr. Li is also the chairman of the Audit Committee and a member of the Nomination Committee of the Company. He holds a bachelor's degree in engineering from the Tsinghua University and a master degree in economics from the University of International Business and Economics. Mr. Li is a CFA charterholder and has over 27 years of experience in project evaluation and strategic planning, investment analysis and engineering work, as well as project management and investment. Mr. Li was an executive director of Towngas China Company Limited (stock code: 1083) from January 2001 to March 2007, a director of 眾安在綫財產保險股份有限公司 (ZhongAn Online P & C Insurance Co., Ltd.) (stock code: 6060) from July 2013 to January 2017 and the chief financial officer of Sinolink Worldwide Holdings Limited (stock code: 1168) from October 2007 to September 2014, all of these companies are listed on the main board of the Stock Exchange. Prior to joining the Company, Mr. Li was the managing director of Noble Bridge Capital Limited（君橋資本有限公司）.

DIRECTORS (CONTINUED)

Independent Non-executive Directors (Continued)

Mr. Xu Honghua ("Mr. Xu"), aged 52, was appointed as an independent non-executive director of the Company in May 2015. Mr. Xu is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He has approximately 30 years' experience in the fields of the power generation. Mr. Xu graduated from the Tianjin University with a master's degree of engineering in power system and automation in 1988. He had been appointed by the Institute of Electrical Engineering（電工研究所）, Chinese Academy of Sciences ("CAS") as a research fellow in 1999. He was the former deputy director of the Institute of Electrical Engineering（電工研究所）, CAS. Currently, Mr. Xu is the president of 北京科諾偉業科技股份有限公司 (Beijing Corona Sciences & Technology Co. Ltd.*) and the president of 保定科諾偉業控制設備有限公司 (Baoding Corona Control Equipment Co., Ltd.*). Mr. Xu is the researcher of the Institute of Electrical Engineering, the officer of 北京市太陽能發電技術重點實驗室 (Beijing Key Laboratory of Solar Power Technology*) and the vice chairman of Chinese Renewable Energy Society（中國可再生能源學會）. In addition, Mr. Xu was a member of the Advisory Committee of Energy Experts for National Energy Administration（國家能源專家諮詢委員會）, the member of expert team for solar and wind power generation in the 10th Five-year Plan, 11th Five-year Plan and 12th Five-year Plan, the leader of the expert team for the 863 key project and the vice president of the National Technical Committee for Standardisation of Wind Machinery*（全國風力機械標準化技術委員會）. In 2007, Mr. Xu was selected as a national candidate for the New-Century BaiQian-Wan Talent Project*（新世紀百千萬人才工程國家級人選）. Mr. Xu also received multiple awards including the Best New Talent Award*（最佳新人獎）by World Wide Fund for Nature Beijing office in 2009, the Special Contribution Award by Photovoltaic Professional Committee of China Renewable Energy Society and the honorary title of "National Advanced Individual for Science Popularisation*"（全國科普工作先進工作者）in 2010, the First Class Prize for Scientific and Technological Progress of Hebei Province issued by The People's Government of Hebei Province in 2012, the Third Class Prize for National Energy Technology Progress in 2013, the Scientific Figure Award of the Third Capital Technology Celebration*（第三屆首都科技盛典人物獎）in 2014 and the title of leading talents for science and technology entrepreneurship*（科技創業領軍人才）in the third batch of national "Manpower Planners*"（萬人計劃）in 2017.

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

Mr. Chiu Kung Chik ("Mr. Chiu"), aged 34, was appointed as an independent non-executive director of the Company on 29 July 2016. Mr. Chiu is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Chiu graduated from the University of Chicago with a bachelor's degree in economics. Mr. Chiu has extensive experience and knowledge in investment banking, including capital financing, corporate restructuring for public and private companies, merger and acquisition, complex transaction structuring etc. From 2008 to 2015, Mr. Chiu worked with UBS AG in the investment banking department in its Hong Kong office, primarily focusing on advising large scale corporate clients on their capital market activities. During the aforesaid time, he had completed a number of high-profile transactions with over US$20 billion in total transaction value. He is currently an independent non-executive director of China Fortune Financial Group Limited (stock code: 290), a company listed on the main board of the Stock Exchange.

* *For identification purposes only*

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the mainland (the "Mainland China") of the People's Republic of China (the "PRC"). It also had a non-core business in the design, printing and sale of cigarette packages in the PRC which was disposed of in January 2018. Details of the principal activities of the Company's principal subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

A discussion and review on the business activities of the Group, including an indication of likely future development in the Group's businesses and an analysis of the Group's performance during the year using financial key performance indicators are provided in "Chairman's Statement" on pages 4 to 8 and sections headed "Business Review" and "Financial Performance" under "Management Discussion and Analysis" on pages 9 to 25 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 49 to the financial statements. Description of principal risks and uncertainties that the Group may be facing, environmental policies and performance of the Group, compliance with relevant laws and regulations which have a significant impact on the Group and relationship with stakeholders are set out in "Management Discussion and Analysis" on pages 26 to 28 of this annual report. These discussions form part of this report.

RESULTS AND DISTRIBUTIONS

The Group's profit for the year ended 31 December 2018 and the Group's financial position at that date are set out in the financial statements on pages 74 to 189 of this annual report.

The Board does not recommend the payment of 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 and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May 2019.

Report of the Directors

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group as at 31 December 2018 and for the last four financial years, as extracted from the published audited financial statements of the Company and adjusted for the change of presentation currency, is set out on page 190 of this annual report. This summary does not form part of the audited financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2018 are set out in note 1 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year, together with the reasons therefor, are set out in note 36 to the financial statements.

DEBENTURE ISSUED

As at 31 December 2018, the outstanding principal amounts of the Perpetual Capital Instrument issued by the Company was RMB1,000,000,000 with fixed interest rate of 6.50% per annum to be payable for first three years. Upon the maturity for first three years, the Company has a right to choose to extend a further three years. Unless and until the Company chooses to repay the outstanding principal amount with accrued interest in full, the Company shall have a right of extension of the maturity date for a cycle of every three years. The holders of the instrument shall not be entitled to sell back the instrument to the Company.

The proceeds from the issuance of the Perpetual Capital Instrument were used for repayment of certain of the Group's indebtedness and the Group's general working capital.

Details of the Perpetual Capital Instrument are included in note 39 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" of this report and "Share Option Scheme" in note 37 to the financial statements respectively, no equity-linked agreement was entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2018.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders as at 31 December 2018 amounted to approximately HK$5,662.3 million.

DONATIONS

During the year ended 31 December 2018, the Group made charitable and other donations amounting to approximately HK$599,000.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive Directors

Mr. Hu Xiaoyong
Mr. Shi Xiaobei
Mr. Huang Weihua
Mr. Wang Ye
Mr. Wen Hui

Independent Non-executive Directors

Mr. Li Fujun
Mr. Xu Honghua
Mr. Chiu Kung Chik

In accordance with article 108 of the Articles of Association, Mr. Shi Xiaobei, Mr. Wen Hui and Mr. Li Fujun will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

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

Report of the Directors

BOARD CHANGES

Since the date of the interim report of the Company for the six months ended 30 June 2018 and up to the date of this report, there have been no change in the Board.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of the information of the Directors are as follows:

(1) Mr. Wen Hui ceased to act as the president of 北京啟迪清潔能源科技有限公司 (Beijing Tus Clean Energy Technology Company Limited*) with effect from 10 September 2018 and the chairman of 北京啟迪清風科技有限公司 (Beijing Tus-Wind Technology Company Limited*) with effect from 18 September 2018; and was appointed as the vice chairman and a director of 啟迪桑德環境資源股份有限公司 (Tus-Sound Environmental Resources Co., Ltd.*) (stock code: 000826.SZ) with effect from 26 September 2018.

(2) Mr. Hu Xiaoyong resigned as an executive director of Beijing Enterprises Medical and Health Industry Group Limited (stock code: 2389) with effect from 2 October 2018; and was appointed as an independent non-executive director of China Resources Gas Group Limited (stock code: 1193) with effect from 31 January 2019.

Save as disclosed above, after having made all reasonable enquiry, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the interim report of the Company for the six months ended 30 June 2018 and up to the date of this report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out on pages 44 to 46 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the Remuneration Committee. Save as disclosed in "Directors' Remuneration" in note 8 to the financial statements, during the year ended 31 December 2018, none of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year. Further details of the Company's Directors' remuneration are set out in note 8 to the financial statements.

Further details of the Remuneration Committee are set out in the "Corporate Governance Report" on page 36 of this annual report.

EMOLUMENT POLICY

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

PERMITTED INDEMNITY PROVISION

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

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

DISCLOSURE OF INTERESTS

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

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

	Capacity and number of shares/ underlying shares held					
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of the Company's issued share capital** *(Note 1)*
Mr. Hu Xiaoyong	132,780,000	–	2,291,454,285 *(Note 2)*	–	2,424,234,285	3.82%
Mr. Wang Ye	–	–	911,898,742 *(Note 3)*	–	911,898,742	1.44%

Notes:

1. The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 31 December 2018.

2. Out of 2,291,454,285 shares, 2,285,714,285 shares and 5,740,000 shares were held by Zhihua Investments Limited and Starry Chance Investments Limited, respectively, both companies are wholly and beneficially owned by Mr. Hu Xiaoyong. Accordingly, Mr. Hu Xiaoyong is deemed to have interests in those shares of the Company under the SFO.

3. Such shares were held by 北京倍思泰科新能源科技開發有限公司 (Beijing Bestech New Energy Technology Development Co., Ltd.*) in which Mr. Wang Ye holds more than one-third of the voting power at its general meetings and he is also a director of this company. Accordingly, Mr. Wang Ye is deemed to have interests in those shares of the Company under the SFO.

DISCLOSURE OF INTERESTS (CONTINUED)

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

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

Name of Associated Corporation	Name of Directors	Capacity in which interests are held	Registered capital held	Approximate percentage of interests *(Note 1)*
北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*) ("BE Wind Power")	Mr. Hu Xiaoyong	Interest of controlled corporation *(Note 2)*	RMB60,000,000	8.33%
	Mr. Huang Weihua *(Note 3)*	–	–	–

Notes:

1. The approximate percentage was calculated on the basis of the registered capital of RMB720,000,000 of BE Wind Power as at 31 December 2018.

2. Such interest was held by Great First (Hong Kong) Limited, which in turn is wholly-owned by Mr. Hu Xiaoyong.

3. As disclosed in the interim report of the Company for the six months ended 30 June 2018, Mr. Huang Weihua was deemed to have interests in BE Wind Power, such interest was held by 西藏多能共拓創業投資合夥企業（普通合夥）(Tibet Duo Neng Gong Tuo Chuang Ye Investment Partnership Corporation (General Partnership)*) ("Tibet Dou Neng"), of which Mr. Huang Weihua was one of the general partners and held 81% interest in Tibet Dou Neng. On 25 July 2018, Mr. Huang Weihua disposed of all his interests in Tibet Dou Neng, therefore, Mr. Huang ceased to have interest in BE Wind Power as at 31 December 2018.

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

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

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company had any interests or short positions in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2013. As at 31 December 2018, there were share options relating to 1,460,000,000 shares granted by the Company, representing approximately 2.30% of the total issued shares of the Company as at the date of this report pursuant to the Share Option Scheme which were valid and outstanding.

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

(i) Purpose

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

(ii) Qualifying participants

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

(iii) Maximum number of shares

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

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

SHARE OPTION SCHEME (CONTINUED)

(iv) Limit for each participant

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

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

(v) Option period

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

(vi) Acceptance and payment on acceptance

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

(vii) Subscription price

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

(viii) Remaining life of the Share Option Scheme

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

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

SHARE OPTION SCHEME (CONTINUED)

Details of movements in the share options granted under the Share Option Scheme during the year ended 31 December 2018 were as follows:

Name of Directors	As at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/ forfeited during the year	As at 31 December 2018	Grant date (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)	Exercise price HK$
	Number of share options								
Executive Directors									
Hu Xiaoyong	120,000,000	–	–	–	–	120,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	120,000,000	–	–	–	–	120,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	120,000,000	–	–	–	–	120,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	120,000,000	–	–	–	–	120,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	120,000,000	–	–	–	–	120,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Huang Weihua	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Wang Ye	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	80,000,000	–	–	–	–	80,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Wen Hui	6,000,000	–	–	–	–	6,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	6,000,000	–	–	–	–	6,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	6,000,000	–	–	–	–	6,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	6,000,000	–	–	–	–	6,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	6,000,000	–	–	–	–	6,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Independent non-executive Directors									
Li Fujun	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Xu Honghua	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Chiu Kung Chik	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	2,000,000	–	–	–	–	2,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Total	1,460,000,000	–	–	–	–	1,460,000,000			

Notes:

1. The closing price per ordinary share as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotation sheet on 15 September 2017 was HK$0.197.

2. The share options are subject to a vesting scale in five tranches of 20% each per annum starting from the third anniversary and will be fully vested on the seventh anniversary of the date of grant of 18 September 2017. Each tranche of the share options shall be exercisable on the condition that each participant has passed the performance assessment of the Company.

During the year ended 31 December 2018, no share option was granted, exercised, lapsed, cancelled or forfeited under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" and "Share Option Scheme" of this report, and "Share Option Scheme" in note 37 to the financial statements, at no time during the year ended 31 December 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the sections headed "Connected Transactions" and "Related Party Transactions" below and "Related Party Disclosures" in note 46 to the financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

Name of Directors	Name of company	Nature of business	Nature of interests
Wen Hui	北京啟迪清芸能源科技有限公司 (Beijing Tus-Tsingyun Energy Technology Company Limited*)	Provision of financial services, design, construction, operation and maintenance and management of the photovoltaic power projects	Director
	北京啟迪清潔能源科技有限公司 (Beijing Tus Clean Energy Technology Company Limited*)	Solar photovoltaic systems, solar thermal systems and wind power systems	Director
	北京啟迪清風科技有限公司 (Beijing Tus-Wind Technology Company Limited*)	Development, construction and operation of wind power	Director *(Note 1)*
Huang Weihua	Tibet Duo Neng	Investment, development and operation of clean energy power-related businesses	Director *(Note 2)*

Notes:

1. With effect from 18 September 2018, Mr. Wen Hui has resigned as a director of Beijing Tus-Wind Technology Company Limited*.

2. With effect from 25 July 2018, Mr. Huang Weihua has resigned as a director of Tibet Duo Neng.

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

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

As at 31 December 2018, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company as disclosed above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

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

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

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

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

Notes:

1. The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 31 December 2018.

2. BE Group is deemed to be interested in an aggregate of 20,253,164,571 shares of the Company as a result of its indirect holding of such shares through the following entities including its wholly-owned subsidiaries:

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

Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 20,253,164,571 shares of the Company. BEWG was directly held as to approximately 42.43% by BE Environmental as at 31 December 2018. BE Environmental is a wholly-owned subsidiary of BEHL, which is in turn directly held as to approximately 61.96% by Beijing Enterprises Group (BVI) Company Limited (by itself and through its subsidiaries), and which is in turn wholly-owned by BE Group.

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

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

Notes: (Continued)

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

(i)

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

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

(ii)

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

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

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

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transactions which were subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirements.

(A) Connected Transactions

(I) Acquisition of 20% equity interest in BE Wind Power

On 10 January 2018, Champion South (Hong Kong) Limited ("Champion South", an indirect wholly-owned subsidiary of the Company), as the purchaser, and two independent third parties of the Group, as the vendors, entered into an equity transfer agreement, pursuant to which Champion South agreed to acquire, and the vendors agreed to dispose of, 12.5% and 7.5% equity interests in BE Wind Power (a then 50%-owned subsidiary of the Company) respectively for nil consideration. Upon completion, BE Wind Power became a 70%-owned subsidiary of the Company.

As at 10 January 2018, Mr. Hu Xiaoyong and Mr. Huang Weihua, both executive Directors and connected persons of the Company, indirectly owned 8.33% and 4.17% equity interests in BE Wind Power respectively, BE Wind Power was therefore a connected subsidiary of the Company under the Listing Rules and the transactions contemplated under the equity transfer agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

(II) Disposal of the Cigarette Packaging Business

On 10 January 2018, the Company, as the seller, and Ms. Huang Li, as the purchaser, entered into an agreement, pursuant to which the Company agreed to sell, and Ms. Huang Li agreed to purchase, the entire issued share capital of Meteor River Limited (the "Target Company") for a consideration of HK$258,868,000. The Target Company and its subsidiaries (the "Target Group") were principally engaged in the Cigarette Packaging Business.

As Ms. Huang Li was a director of the Target Group in the last 12 months preceding 10 January 2018, she was therefore a connected person of the Company at the subsidiary level and the entering into of the agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

(B) Continuing Connected Transactions

(I) Leases and Licence

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

On 1 March 2017, Beijing Enterprises New Energy Company Limited*（北京北控光伏科技發展有限公司）("BENE", an indirect wholly-owned subsidiary of the Company) entered into a lease agreement (the "Beijing Lease") with Beijing Enterprises Water (China) Investment Co., Ltd*（北控水務（中國）投資有限公司）("BEWCI"), a wholly-owned subsidiary of BEWG, in respect of the leasing of Units 201 and 302 of BEWG Building, Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC as office premises and four carparking spaces in the BEWG Building. The Beijing Lease was entered into for a fixed term of 3 years from 1 January 2017 to 31 December 2019 with a rental of RMB794,792.29 (equivalent to approximately HK$896,763.24) per month, inclusive of the management fees and other service charges of such premises and RMB2,000 (equivalent to approximately HK$2,256.60) per month for the four carparking spaces.

The annual cap for the Beijing Lease for each of the three financial years ending 31 December 2019 is RMB9,561,507.48 (equivalent to approximately HK$10,788,238.03).

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

On 30 June 2017, the Company entered into an agreement (the "New Licence") with BEWG to renew the terms of a licence agreement dated 1 March 2017 for occupying and using a portion of Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (the "Hong Kong Property") with floor area of approximately 1,608.6 square feet, representing 30% of the total floor area of the Hong Kong Property for the period from 2 July 2017 to 1 July 2019 or the date on which BEWG ceases to be a tenant of the Hong Kong Property under the terms of the tenancy agreement entered into between BEWG and the landlord of the Hong Kong Property (the "Hong Kong Lease") applicable to the New Licence, whichever is earlier. The Company will pay BEWG a monthly fee, being the sum of: (i) HK$101,341.80, representing 30% of the rent payable by BEWG under the Hong Kong Lease applicable to the New Licence; (ii) HK$15,442.56, representing 30% of the service charges (inclusive of the management fees, air-conditioning charges and internal office cleaning charges) payable by BEWG under the Hong Kong Lease applicable to the New Licence; (iii) HK$6,460.20, representing 30% of the coolant fees payable by BEWG; and (iv) 30% of the government rates of the Hong Kong Property payable by BEWG.

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

CONNECTED TRANSACTIONS (CONTINUED)

(B) Continuing Connected Transactions (Continued)

(I) Leases and Licence (Continued)

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

On 29 March 2018, BE Clean Heat Energy Company Limited*（北控清潔熱力有限公司）(formerly known as Tibet BE Clean Heat Energy Company Limited*（西藏北控清潔熱力有限公司））("BECH", an indirect non wholly-owned subsidiary of the Company) entered into a lease agreement (the "Baiziwan Lease") with BEWCI in respect of the leasing of 3rd and 4th Floors of a building located at no. 101, Baiziwan Dongli, Chaoyang District, Beijing, the PRC as office premises. The Baiziwan Lease was entered into for a fixed term of 3 years from 1 April 2018 to 31 March 2021 with a rental of RMB184,321.30 (equivalent to approximately HK$228,558.41) per month, exclusive of the management fees, water charges, electricity charges and other service charges of such premises.

The annual caps for the Baiziwan Lease for the nine months ended 31 December 2018 is RMB1,658,891.70 (equivalent to approximately HK$2,057,025.71), each of the two financial years ending 31 December 2020 is RMB2,211,855.60 (equivalent to approximately HK$2,742,700.94) and the three months ending 31 March 2021 is RMB552,963.90 (approximately HK$685,675.24).

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

(II) Power purchase agreement

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

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

CONNECTED TRANSACTIONS (CONTINUED)

(B) Continuing Connected Transactions (Continued)

The above continuing connected transactions were carried out within the respective annual caps, details of which are set out in note 46 to the financial statements.

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

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and an arm's length basis. Certain transactions set out in note 46 to the financial statements are connected transactions as defined under the Listing Rules and were exempt and complied with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the year are provided in the section headed "Connected Transactions" of this report.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

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

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount (million)	Final Maturity	Specific performance obligations
1 November 2016	Term loan facility with a bank	HK$1,000	November 2019	Note 1
23 December 2016	Finance lease facility with a financial institution	RMB241.87	December 2031	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB83.5	December 2019	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB103.8	December 2026	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB220	December 2026	Note 2
18 September 2017	Term loan facilities with a syndicate of banks	HK$1,780	September 2020	Note 1
28 December 2017	Term loan facility with a bank	HK$1,000	December 2020	Note 3
10 May 2018	Term loan facility with a bank	HK$500	May 2021	Note 1
29 May 2018	Term loan facility with banks	USD100	May 2021	Note 1
17 December 2018	Term loan facility with a bank	HK$800	December 2022	Note 1

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER (CONTINUED)

Notes:

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

2. BEWG holds less than 27% of the ordinary shares of the Company directly or indirectly, or cease to be the, direct or indirect, single largest shareholder of the Company.

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

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

Within the best knowledge of the Directors, none of the above events took place during the year ended 31 December 2018 and at the date of approval of this annual report.

Except as disclosed above, as at 31 December 2018, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018 and up to the date of this annual report.

The "Corporate Governance Report" is set out in pages 30 to 43 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2018 have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of Ernst & Young as auditor of the Company.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 50 to the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the Board on 26 March 2019.

On behalf of the Board

Hu Xiaoyong
CHAIRMAN

Hong Kong, 26 March 2019

* *For identification purposes only*

Independent Auditor's Report

EY 安永

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

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Clean Energy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 189, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Purchase price allocations of photovoltaic power businesses (the "Photovoltaic Power Business"), wind power businesses (the "Wind Power Business") and clean heat supply businesses (the "Clean Heat Supply Business")	
As further detailed in note 40 to the financial statements, the Group acquired a number of entities engaging in the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business during the year ended 31 December 2018. The Group engaged independent external valuers to perform the valuation of the identifiable assets acquired and liabilities assumed of the significant subsidiaries acquired. The accounting for business combinations using the acquisition method relied on a significant amount of management's estimates and judgements in respect of the fair value measurement and allocation of the purchase price. Related disclosures of goodwill and business combinations are included in notes 3, 17 and 40 to the financial statements.	We assessed the independence and competency of the independent external valuers engaged by the Group. We tested the identification of assets and liabilities and assumptions used in the valuation based on our understanding of the businesses of the investees and discussion with management; involved our internal valuation experts to support us in our audit work and evaluated management's valuation methodologies and assumptions used in the purchase price allocations by (i) testing the parameters with reference to other comparable companies in the industry; and (ii) reviewing the valuation methodologies adopted for the purpose of determining the fair values of the identifiable assets acquired and liabilities assumed.

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade and bills receivables, financial assets included in prepayments, deposits and other receivables and contract assets	
The net carrying values of the Group's trade and bills receivables, financial assets included in prepayments, deposits and other receivables, and contract assets as at 31 December 2018 amounted to HK$3,289,596,000, HK$3,916,367,000 and HK$4,501,672,000, respectively. The provision for expected credit losses ("ECL") carried as at 31 December 2018 was HK$56,982,000. The Group adopted HKFRS 9 on its mandatory effective date of 1 January 2018. The key changes arising from the adoption of HKFRS 9 are that the Group's credit losses are now estimated based on an expected loss model rather than an incurred loss model. Management uses the simplified approach to calculate ECL for trade receivables and contract assets, and the general approach to calculate ECL for bills receivable, deposits and other receivables. Management has engaged an external specialist to assess the credit risks of the debtors and prepare the calculation of the ECL. The Group considers the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the ECL. The Group also assesses whether the credit risk on the other receivables has increased significantly under the general approach. Significant management judgements and estimates are involved in determining the ECL. Relevant disclosures are included in notes 3, 26, 27 and 28 to the financial statements.	We obtained an understanding of the Group's credit risk management and practices, and assessed the Group's policy on determining ECL, including an evaluation of management judgements on (i) the level of disaggregation of categories for collective assessment; (ii) the use of available credit risk information; and (iii) the criteria for determining if a significant increase in credit risk has occurred. We assessed the competence, objectivity and independence of the Group's external specialist. We obtained and reviewed the valuation established by management and involved our internal valuation specialists to assist us to assess the methodology applied and the key assumptions and estimates adopted on ECL calculations. We assessed the ageing of the balances, management's action to recover the outstanding amounts and the available information about the financial ability of the debtors, on a sample basis.

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**6,980,270**	10,039,549
Cost of sales		**(4,058,022)**	(7,414,587)
Gross profit		**2,922,248**	2,624,962
Other income and gains, net	5	**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	7	**(975,170)**	(469,983)
Share of profits and losses of:			
Joint ventures	21	**(20,157)**	(624)
Associates	22	**7,933**	16,234
PROFIT BEFORE TAX	6	**1,537,580**	1,862,233
Income tax expense	10	**(159,624)**	(285,907)
PROFIT FOR THE YEAR		**1,377,956**	1,576,326
Attributable to:			
Equity holders of the Company		**1,268,645**	1,560,348
Non-controlling interests		**109,311**	15,978
		1,377,956	1,576,326
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK1.99 cents**	HK2.72 cents
Diluted		**HK1.99 cents**	HK2.67 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR	**1,377,956**	1,576,326
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
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	**(931,507)**	729,397
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**446,449**	2,305,723
Attributable to:		
Equity holders of the Company	**383,933**	2,271,072
Non-controlling interests	**62,516**	34,651
	446,449	2,305,723

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**19,344,147**	15,567,761
Investment properties	15	**175,000**	175,000
Prepaid land lease payments	16	**236,522**	191,102
Goodwill	17	**500,567**	339,287
Operating concessions	18	**1,894,524**	1,060,563
Operating rights	19	**994,468**	516,882
Other intangible assets	20	**22,030**	8,751
Investments in joint ventures	21	**140,959**	94,228
Investments in associates	22	**703,510**	681,279
Financial assets at fair value through profit or loss	23	**263,124**	–
Available-for-sale investment	24	**–**	7,612
Financial asset at fair value through other comprehensive income	24	**7,205**	–
Prepayments, deposits and other receivables	28	**3,027,822**	1,451,629
Other tax recoverables	29	**1,292,153**	1,134,059
Other non-current assets	25	**102,802**	108,618
Deferred tax assets	35	**33,818**	27,122
Total non-current assets		**28,738,651**	21,363,893
CURRENT ASSETS			
Inventories		**157,766**	21,164
Contract assets	26	**4,501,672**	–
Amounts due from contract customers	26	**–**	2,028,891
Trade and bills receivables	27	**3,289,596**	4,502,025
Prepaid land lease payments	16	**18,220**	5,318
Prepayments, deposits and other receivables	28	**2,754,169**	1,756,591
Other tax recoverables	29	**886,818**	707,811
Pledged bank deposits	30	**292,896**	497,340
Cash and cash equivalents	30	**2,768,362**	4,772,754
		14,669,499	14,291,894
Assets of a disposal group classified as held for sale	11	**–**	339,895
Total current assets		**14,669,499**	14,631,789
CURRENT LIABILITIES			
Trade and bills payables	31	**4,375,776**	4,631,417
Other payables and accruals	32	**5,101,138**	4,043,342
Interest-bearing bank and other borrowings	33	**1,508,886**	1,349,295
Finance lease payables	34	**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	11	**–**	99,172
Total current liabilities		**12,594,257**	11,747,780

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
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	33	**6,041,281**	5,180,768
Finance lease payables	34	**13,242,491**	9,787,999
Other non-current liabilities	25	**101,987**	108,104
Deferred income		**232,885**	–
Deferred tax liabilities	35	**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	36	**63,525**	63,525
Perpetual capital instrument	39	**1,137,776**	–
Reserves	38	**8,878,287**	8,497,381
		10,079,588	8,560,906
Non-controlling interests		**795,819**	443,123
Total equity		**10,875,407**	9,004,029

Hu Xiaoyong
Director

Huang Weihua
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to equity holders of the Company											
	Notes	Ordinary shares HK$'000	Convertible preference shares HK$'000	Share premium account HK$'000	Share option reserve HK$'000 (note 38)	Special reserves HK$'000 (note 38)	Available-for-sale investment revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (note 38)	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		42,512	7,483	4,060,366	–	83,077	–	84,044	(380,580)	552,696	4,449,598	35,278	4,484,876
Profit for the year		–	–	–	–	–	–	–	–	1,560,348	1,560,348	15,978	1,576,326
Other comprehensive income for the year:													
Available-for-sale investment:													
Change in fair value, net of tax		–	–	–	–	–	49,952	–	–	–	49,952	–	49,952
Share of other comprehensive income of joint ventures		–	–	–	–	–	–	–	3,735	–	3,735	–	3,735
Share of other comprehensive income of associates		–	–	–	–	–	–	–	27,004	–	27,004	–	27,004
Exchange differences related to foreign operations		–	–	–	–	–	–	–	630,033	–	630,033	18,673	648,706
Total comprehensive income for the year		–	–	–	–	–	49,952	–	660,772	1,560,348	2,271,072	34,651	2,305,723
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	–	–	–	45,813	45,813
Acquisition of non-controlling interests		–	–	–	–	5,071	–	–	–	–	5,071	(9,613)	(4,542)
Capital contributions from non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	306,473	306,473
Disposal of partial interests in subsidiaries		–	–	–	–	1	–	–	–	–	1	66,880	66,881
Disposal of subsidiaries	41	–	–	–	–	–	–	–	–	–	–	(36,359)	(36,359)
Reclassification to an associate upon step acquisition		–	–	–	–	–	(49,952)	–	–	–	(49,952)	–	(49,952)
Issue of new convertible preference shares	36(b)	–	4,749	370,496	–	–	–	–	–	–	375,245	–	375,245
Conversion of convertible preference shares	36(b)	12,232	(12,232)	–	–	–	–	–	–	–	–	–	–
Issue of new ordinary shares upon completion of the Open Offer	36(c)	7,821	–	1,320,404	–	–	–	–	–	–	1,328,225	–	1,328,225
Issue of new ordinary shares for acquisition of investment properties	36(d)	960	–	174,029	–	–	–	–	–	–	174,989	–	174,989
Equity-settled share option arrangements	37	–	–	–	6,657	–	–	–	–	–	6,657	–	6,657
Transfer from retained profits		–	–	–	–	–	–	125,897	–	(125,897)	–	–	–
At 31 December 2017		63,525#	–#	5,925,295*	6,657*	88,149*	–*	209,941*	280,192*	1,987,147*	8,560,906	443,123	9,004,029

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Notes	Ordinary shares HK$'000	Convertible preference shares HK$'000	Share premium account HK$'000	Share option reserve HK$'000 (note 38)	Special reserves HK$'000 (note 38)	Available-for-sale investment revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (note 38)	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Perpetual capital instrument HK$'000 (note 39)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the Company												
At 1 January 2018														
As previously reported		63,525	–	5,925,295	6,657	88,149	–	209,941	280,192	1,987,147	–	8,560,906	443,123	9,004,029
Effect of adoption of HKFRS 9		–	–	–	–	–	–	–	–	(22,782)	–	(22,782)	–	(22,782)
As restated		63,525	–	5,925,295	6,657	88,149	–	209,941	280,192	1,964,365	–	8,538,124	443,123	8,981,247
Profit for the year		–	–	–	–	–	–	–	–	1,262,184	6,461	1,268,645	109,311	1,377,956
Other comprehensive income/(loss) for the year:														
Share of other comprehensive loss of joint ventures		–	–	–	–	–	–	–	(8,175)	–	–	(8,175)	–	(8,175)
Share of other comprehensive loss of associates		–	–	–	–	–	–	–	(39,273)	–	–	(39,273)	–	(39,273)
Exchange differences related to foreign operations		–	–	–	–	–	–	–	(820,066)	–	569	(819,497)	(46,795)	(866,292)
Release upon disposal of subsidiaries		–	–	–	–	–	–	–	(17,767)	–	–	(17,767)	–	(17,767)
Total comprehensive income for the year		–	–	–	–	–	–	–	(885,281)	1,262,184	7,030	383,933	62,516	446,449
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	–	–	–	–	226,477	226,477
Acquisition of non-controlling interests		–	–	–	–	4,714	–	–	–	–	–	4,714	(46,023)	(41,309)
Capital contributions from non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	–	108,655	108,655
Disposal of partial interests in subsidiaries		–	–	–	–	(1,071)	–	–	–	–	–	(1,071)	1,071	–
Disposal of subsidiaries	41	–	–	–	–	(79,601)	–	(34,146)	–	113,747	–	–	–	–
Issuance of a perpetual capital instrument	39	–	–	–	–	–	–	–	–	–	1,130,746	1,130,746	–	1,130,746
Equity-settled share option arrangements	37	–	–	–	23,142	–	–	–	–	–	–	23,142	–	23,142
Transfer from retained profits		–	–	–	–	–	–	138,609	–	(138,609)	–	–	–	–
At 31 December 2018		63,525#	–#	5,925,295*	29,799*	12,191*	–*	314,404*	(605,089)*	3,201,687*	1,137,776	10,079,588	795,819	10,875,407

These accounts comprise the consolidated share capital of HK$63,525,000 (2017: HK$63,525,000) in the consolidated statement of financial position.

* These reserve accounts comprise the consolidated reserves of HK$8,878,287,000 (2017: HK$8,497,381,000) attributable to the holders of the ordinary shares of the Company in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,537,580**	1,862,233
Adjustments for:			
Interest income	5	**(89,908)**	(89,939)
Gains on bargain purchase of subsidiaries	5	**(22,704)**	–
Gains on disposal of interests in subsidiaries	5	**(69,191)**	(35,211)
Depreciation	6	**835,803**	469,101
Amortisation of prepaid land lease payments	6	**30,910**	26,636
Amortisation of operating concessions	6	**59,391**	–
Amortisation of operating rights	6	**34,340**	19,104
Amortisation of other intangible assets	6	**2,463**	792
Equity-settled share option expenses	6	**23,142**	6,657
Impairment of financial assets		**35,828**	–
Finance costs	7	**975,170**	469,983
Share of losses of joint ventures		**20,157**	624
Share of profits of associates		**(7,933)**	(16,234)
		3,365,048	2,713,746
Decrease/(increase) in inventories		**(117,673)**	3,287
Increase in contract assets/amounts due from contract customers		**(719,441)**	(1,380,385)
Increase in trade and bills receivables		**(433,938)**	(2,841,633)
Increase in prepayments, deposits and other receivables		**(791,571)**	(54,860)
Increase in other tax recoverables		**(66,802)**	(209,299)
Increase/(decrease) in trade and bills payables		**(363,934)**	3,248,187
Increase/(decrease) in other payables and accruals		**862,358**	(135,376)
Cash generated from operations		**1,734,047**	1,343,667
The People's Republic of China tax paid		**(282,947)**	(153,742)
Net cash from operating activities		**1,451,100**	1,189,925

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**89,908**	89,939
Purchases of items of property, plant and equipment		**(2,991,163)**	(2,994,173)
Proceeds from disposal of items of property, plant and equipment		**922**	647
Addition of prepaid land lease payments	16	**(29,968)**	(53,096)
Addition of operating concessions	18	**(246,072)**	(1,018,744)
Addition of other intangible assets	20	**(13,550)**	(7,193)
Proceeds from disposal of other intangible assets		**–**	507
Addition of an available-for-sale investment		**–**	(7,310)
Addition of financial assets at fair value through profit or loss		**(275,654)**	–
Investments in joint ventures		**(136,866)**	(107,753)
Investments in associates		**(53,571)**	(642,636)
Acquisition of subsidiaries	40	**(867,139)**	40,075
Disposal of subsidiaries	41	**796,816**	(18,602)
Proceeds from disposal of partial interests in subsidiaries		**–**	66,881
Increase in prepayments and deposits for purchase of property, plant and equipment		**(445,452)**	(379,002)
Increase in deposits for potential business acquisition		**(849,915)**	(74,154)
Decrease in payables in relation to development of clean energy projects		**(1,815,637)**	(2,466,752)
Decrease/(increase) in time deposits with original maturity of more than three months when acquired		**358,653**	(558,662)
Decrease/(increase) in pledged bank deposits		**186,282**	(91,773)
Net cash used in investing activities		**(6,292,406)**	(8,221,801)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new ordinary shares	36(c),(d)	**–**	1,328,225
Proceeds from issue of new convertible preference shares	36(b)	**–**	375,245
Capital contributions by non-controlling equity holders		**108,655**	306,473
Acquisition of non-controlling interests		**(41,309)**	(4,542)
Net proceeds from issuance of a perpetual capital instrument	39	**1,130,746**	–
New bank borrowings		**2,003,034**	4,258,479
Repayment of bank and other borrowings		**(919,015)**	(2,678,962)
Proceeds received under finance lease arrangements		**3,817,651**	6,680,186
Capital element of finance lease rental payments		**(1,641,373)**	(629,947)
Interest on bank and other borrowings paid		**(286,399)**	(195,258)
Interest element of finance lease rental payments		**(762,941)**	(323,929)
Net cash from financing activities		**3,409,049**	9,115,970

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,432,257)**	2,084,094
Cash and cash equivalents at beginning of year		**4,226,075**	1,633,214
Effect of foreign exchange rate changes, net		**(225,465)**	508,767
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,568,353**	4,226,075
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	30	**2,768,362**	4,772,754
Cash and cash equivalents attributable to assets of a disposal group classified as held for sale	11	**–**	11,983
Time deposits with original maturity of more than three months when acquired		**(200,009)**	(558,662)
Cash and cash equivalents as stated in the statement of cash flows		**2,568,353**	4,226,075

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the "Photovoltaic Power Business"), wind power businesses (the "Wind Power Business") and clean heat supply businesses (the "Clean Heat Supply Business") in the 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 of the Cigarette Packaging Business are set out in the Company's announcement dated 10 January 2018.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2018 are as follows:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*)	PRC	RMB1,800,000,000	–	100	Trade of equipment and provision of technical consultancy services in relation to the Photovoltaic Power Business
蔚縣北控新能源開發有限公司 (Yuxian Beijing Enterprises New Energy Development Company Limited*)	PRC	HK$350,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Company Limited*)	PRC	RMB3,500,000,000	–	100	Investment holding
微山縣中晟清潔能源有限責任公司 (Weishan County Zhongcheng Clean Energy Company Ltd.*)	PRC	RMB50,000,000	–	90	Infrastructure development and operation of photovoltaic power plants
濟南中晟新能源開發有限公司 (Jinan Zhongcheng Clean Energy Company Ltd.*)	PRC	RMB123,100,000	–	100	Infrastructure development and operation of photovoltaic power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*)	PRC	RMB3,000,000,000	–	100	Investment holding
四川北控清潔能源工程有限公司 (Sichuan Beijing Enterprises Clean Energy Engineering Limited*, formerly known as 四川中民信電力工程設計有限公司 (Sichuan Zhong Min Xin Electric Power Engineering Limited*))	PRC	RMB500,000,000	–	100	Construction services and provision of technical consultancy services
安陽永歌光伏發電有限公司 (Anyang Yongge Photovoltaic Power Generation Co. Limited*)	PRC	RMB200,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
淇縣中光太陽能有限公司 (Qi County Solar Power Limited*)	PRC	RMB200,100,000	–	100	Infrastructure development and operation of photovoltaic power plants
山東魯薩風電有限公司 (Shandong Lusa Wind Power Limited*)	PRC	RMB160,000,000	–	70	Infrastructure development and operation of wind power plants
河南日昇光伏電力發展有限公司 (Henan Risheng Photovoltaic Power Development Co., Ltd.*)	PRC	RMB20,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
廬江東升太陽能開發有限公司 (Lujiang Dongsheng Solar Energy Development Co., Ltd.*)	PRC	RMB41,600,000	–	100	Infrastructure development and operation of photovoltaic power plants
靖邊縣東投能源有限公司 (Jingbian Dongtou Energy Corporation Limited*)	PRC	RMB1,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
新泰北控清潔能源有限公司 (Xintai BE Clean Energy Company Limited*)	PRC	RMB200,000,000	–	100	Infrastructure development and operation of photovoltaic power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
榆林協合太陽能發電有限公司 (Yulin Century Concord Solar Power Co., Ltd.*)	PRC	RMB150,390,000	–	100	Infrastructure development and operation of photovoltaic power plants
邢台萬陽新能源開發有限公司 (Xingtai Wanyang New Energy Development Limited*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
天津富驛企業管理諮詢有限公司 (Tianjin Fuyi Enterprise Management Consulting Co., Ltd*)	PRC	RMB100,000,000	–	100	Investment holding
天津富樺企業管理諮詢有限公司 (Tianjin Fuhua Enterprise Management Consulting Co., Ltd*)	PRC	RMB500,000,000	–	100	Investment holding
青島富歡資產管理有限公司 (Qingdao Fuhuan Asset Management Co., Ltd*)	PRC	RMB20,000,000	–	100	Investment holding
西藏北控清潔能源電力有限公司 (Tibet Beikong Clean Energy Electricity Co., Ltd.*)	PRC	RMB500,000,000	–	60	Infrastructure development and operation of photovoltaic power plants
西藏北控清潔能源科技發展有限公司 (Tibet Beikong Clean Energy Technology Development Company Limited*)	PRC	RMB100,000,000	–	100	Construction services, provision of technical consultancy services and investment holding
西藏富樺電力有限公司 (Tibet Fuhua Electricity Co., Ltd.*)	PRC	RMB500,000,000	–	100	Trade of equipment in relation to Photovoltaic Power Business
金寨金葉光伏科技有限公司 (Jinzhai Jinye Photovoltaic Technology Co., Ltd.*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
北控清潔能源電力有限公司 (Beijing Enterprises Clean Energy Electricity Company Limited*)	PRC	RMB700,000,000	–	60	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
南昌縣綠川新能源有限公司 (Nanchang County Lvchuan New Energy Company Limited*)	PRC	RMB10,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
河南平煤北控清潔能源有限公司 (Henan Pingmei Beikong Clean Energy Company Limited*)	PRC	RMB1,000,000,000	80.2	–	Infrastructure development and operation of clean energy projects and investment holding
北控智慧電力工程有限公司 (Beijing Enterprises Smart Electricity Power Engineering Company Limited*, formerly known as 四川通藝來電力工程有限公司 (Sichuan Tongyilai Electricity Power Engineering Company Limited*))	PRC	RMB100,000,000	–	60	Construction services and provision of technical consultancy services
天門追日能源開發有限公司 (Tianmen Zhuiri Energy Development Co., Ltd.*)	PRC	RMB5,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
西藏雲北能源科技有限公司 (Tibet Yunbei Energy Technology Co., Ltd.*)	PRC	RMB200,000,000	–	100	Construction services and provision of technical consultancy services
北控清潔熱力有限公司 (BE Clean Heat Energy Company Limited*, formerly known as 西藏北控清潔熱力有限公司 (Tibet BE Clean Heat Energy Company Limited*))	PRC	RMB960,000,000	–	71.1	Infrastructure development and provision of clean heat supply services
普安縣瑞輝新能源開發有限公司 (Puan County Ruihui New Energy Development Company Limited*)	PRC	RMB100,000,000	–	95	Infrastructure development and operation of photovoltaic power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
興義市中弘新能源有限公司 (Xingyi Zhonghong New Energy Co., Ltd.*)	PRC	RMB1,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
中寧縣興業錦繡新能源有限公司 (Zhongning County Xingyejinxiu New Energy Co. Ltd.*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
西藏平北清潔能源有限公司 (Tibet Pingbei Clean Energy Company Limited*)	PRC	RMB20,000,000	–	80.2	Trade of equipment in relation to Photovoltaic Power Business
北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*)	PRC	RMB720,000,000	–	70	Infrastructure development and operation of clean energy projects
山東北控清潔熱能有限公司 (Shangdong Beijing Enterprises Clean Heat Energy Company Limited*)	PRC	RMB100,000,000	–	71.1	Infrastructure development and provision of clean heat supply services
西藏智北清潔能源運營有限公司 (Tibet Zhibei Clean Energy Operation Company Limited*)	PRC	RMB10,000,000	–	60	Construction services and provision of technical consultancy services
北控新能工程有限公司 (Beijing Enterprises New Energy Engineering Company Limited*)@	PRC	RMB200,000,000	–	100	Construction services and provision of technical consultancy services
寧夏永恒能源管理有限公司 (Ningxia Yongheng Energy Management Company Limited*)@	PRC	RMB30,000,000	–	71.1	Infrastructure development and provision of clean heat supply services
北京優穩昌盛科技有限公司 (Beijing Youwen Changsheng Technology Company Limited*)@	PRC	RMB10,000,000	–	71.1	Provision of technical consultancy services
響水恒能太陽能發電有限公司 (Xiangshui Hengneng Photovoltaic Power Co., Ltd.*) @	PRC	RMB378,647,000	–	100	Infrastructure development and operation of photovoltaic power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
普安縣中弘新能源有限公司 (Puan County Zhonghong New Energy Co., Ltd.*) @	PRC	RMB195,750,000	–	100	Infrastructure development and operation of photovoltaic power plants
Greatest Winner Limited (宏源有限公司)	HK	HK$1	–	100	Investment holding
Harvest Sunny International Limited (富歡國際有限公司)	HK	HK$1	–	100	Investment holding
Champion South (Hong Kong) Limited (冠南(香港)有限公司)	HK	HK$1	–	100	Investment holding
New Channel (Hong Kong) Limited (立昌(香港)有限公司)	HK	HK$1	–	100	Investment holding
First Master (Hong Kong) Limited (豐美(香港)有限公司)	HK	HK$1	–	100	Investment holding
Top Cheers Industrial Limited (德昌實業有限公司)	HK	HK$10	–	100	Property investment

@ Acquired/incorporated during the year

During the year, the Group acquired a number of subsidiaries, details of material transactions are set out in note 40 to the financial statements.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, 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. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the changes are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) 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:

		HKAS 39 measurement			HKFRS 9 measurement		
	Notes	**Category**	**Amount** HK$'000	**Re-classification** HK$'000	**ECL** HK$'000	**Amount** HK$'000	**Category**
Financial assets							
Financial asset 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
Other assets							
Contract assets	(ii)		3,676,061	–	(7,205)	3,668,856	
Deferred tax assets			27,122	–	–	27,122	
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
Other liabilities							
Deferred tax liabilities			167,002	–	–	167,002	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

Classification and measurement (Continued)

[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 in note 2.2(c) to the financial statements below.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 26, 27 and 28 to the financial statements.

	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
	–	22,782	22,782

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (Continued)

Impairment (Continued)

Impact on reserves and retained profits

As a result of the reclassification of an equity investment from available-for-sale investment to equity investment designated at fair value through other comprehensive income upon the adoption of HKFRS 9 as at 1 January 2018, the corresponding fair value reserve account is re-defined as a reserve account for gains and losses which are never recycled to the statement of profit or loss. The Group was required to re-measure the fair value of equity investment under HKFRS 9, however, the fair value change was immaterial and accordingly, no opening adjustment on fair value change on equity investment was made upon the adoption of HKFRS 9.

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

	HK$'000
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	(4,110)
Balance as at 1 January 2018 under HKFRS 9	1,964,365

(c) 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 disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (Continued)

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:

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

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no material impact on profit or loss, other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
		HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
	Notes	HK$'000	HK$'000	HK$'000
Trade and bills receivables	(i), (ii)	3,308,885	5,800,721	(2,491,836)
Amounts due from contract customers	(i)	–	2,033,713	(2,033,713)
Contract assets	(i), (ii)	4,525,549	–	4,525,549

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (Continued)

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 the 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 adjustment 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 adjustment receivables were included in trade and bills receivables as at 31 December 2017.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemption allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As disclosed in note 44 to the financial statements, at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases amounted to HK$858,128,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

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

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

Disposal group held for sale

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

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

Service concession arrangements

Consideration given by the grantor

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

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out in "Construction contracts (applicable before 1 January 2018)" and set out in "Revenue recognition (applicable from 1 January 2018)" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Contracts for services (applicable before 1 January 2018)" and set out in "Revenue recognition (applicable from 1 January 2018)" below. Costs for operating services are expensed in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements (Continued)

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

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

Intangible assets (other than goodwill)

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

Operating concessions

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

Operating rights

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

Computer software

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

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

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

Investments and other financial assets (policies under HKAS 9 applicable from 1 January 2018)

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKAS 9 applicable from 1 January 2018) (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKAS 9 applicable from 1 January 2018) (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss (Continued)

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

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

Investments and other financial assets (policies under HKFRS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale investment. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement (Continued)

Available-for-sale investment

Available-for-sale investment is a non-derivative financial assets in an unlisted equity investment. Equity investment classified as available for sale is that which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, an available-for-sale investment is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investment cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investment is stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale asset in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade this financial asset due to inactive markets, the Group may elect to reclassify this financial asset if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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

- the rights to receive cash flows from the asset have expired; or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018) (Continued)

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

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

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

General approach (Continued)

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale investment

If there is objective evidence that an impairment loss has been incurred on the unlisted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on the asset is not reversed.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

Perpetual capital instrument

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

Government grants

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

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

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from 1 January 2018) (Continued)

Revenue from contracts with customers (Continued)

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

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

(b) Tariff adjustment

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

(c) Construction services

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

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

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

(d) Provision of technical consultancy services

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

(e) Entrusted operations

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

Other income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of cigarette packages, sale of electricity and trading agency income in relation to photovoltaic and wind power-related businesses, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the electricity and goods sold;

(b) from tariff adjustment, which represents subsidies received and receivable from the government authorities in respect of the Group's photovoltaic and wind power plant operations. Tariff adjustment is recognised when it is probable that an additional tariff will be received and the Group will comply with all attaching conditions, if any;

(c) from construction services, on the percentage-of-completion basis, as further explained in "Construction contracts (applicable before 1 January 2018)" below;

(d) from the rendering of services, on the percentage of completion basis, as further explained in "Contracts for services (applicable before 1 January 2018)" below;

(e) from the rendering of entrusted operations, on a time proportion basis over the contract terms; and

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

Contract balances (applicable from 1 January 2018)

(a) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, contract assets are recognised for the earned consideration that is conditional.

(b) Trade receivables

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

(c) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs (applicable from 1 January 2018)

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

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

Construction contracts (applicable before 1 January 2018)

Contract revenue comprises (i) the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments in respect of the construction services in relation to the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business; and (ii) construction revenue recognised under BOT contracts from the construction of a photovoltaic power plant and clean heat supply facilities. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

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

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services (applicable before 1 January 2018)

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts for services (applicable before 1 January 2018) (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 37 to the financial statements.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

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

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

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

Other employee benefits

Defined contribution plans

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

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

Borrowing costs

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

As further detailed in note 40 to the financial statements, the Group acquired a number of entities engaging in the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business during the year ended 31 December 2018. The Group engaged independent external valuers to perform the valuation of the identifiable assets acquired and liabilities assumed of the significant subsidiaries acquired. The accounting for business combinations using the acquisition method relied on a significant amount of management's estimates and judgements in respect of the fair value measurement and allocation of the purchase price.

Provision for expected credit losses on trade receivables and contract assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant business units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2018 was HK$500,567,000 (2017: HK$339,287,000), details of which are set out in note 17 to the financial statements.

Classification of investment in limited partnerships

In 2017, the Group has invested in limited partnerships as junior limited partner. The directors of the Company assessed whether or not the Group has control, joint control or significant influence over these limited partnerships based on whether the Group has the practical ability to direct the relevant activities of these limited partnerships to affect the returns. In making the judgement, the directors considered whether the Group has the power to the relevant activities of the limited partnerships (e.g., investment and operation decisions, approval of budget, etc.) in the limited partnerships' partners meeting, investment committee meetings or any other management committee (if any), and the Group's exposure to variable returns from its involvement in the limited partnerships. After the assessment, the directors concluded that the Group has joint control over the limited partnerships, further details of the investments in the limited partnerships are set out in note 21 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group 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 these financial statements.

Geographical information

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information about major customers

During the years ended 31 December 2018 and 2017, there was no single external customer which contributed over 10% of the Group's total revenue for the years.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2018 HK$'000	2017 HK$'000
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
	6,980,270	10,039,549

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	2018 HK$'000	2017 HK$'000
By timing of revenue recognition:		
Transferred at a point of time	**4,005,110**	5,616,270
Transferred over time	**2,975,160**	4,423,279
Total revenue from contracts with customers	**6,980,270**	10,039,549

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

Revenue from contracts with customers (Continued)

(ii) Performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	HK$'000
Within one year	1,530,912
More than one year	124,527
	1,655,439

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

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

	2018 **HK$'000**	2017 HK$'000
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 (note 40)	**22,704**	–
Gains on disposal of interests in subsidiaries (note 41)	**69,191**	35,211
Others	**3,949**	3,769
	334,059	182,994

@ Other interest income represents interest income from advances to independent third parties for the development and operation of clean energy businesses, further details of which are disclosed in note 28 to the financial statements.

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

6. PROFIT BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000
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@	14	**835,803**	469,101
Amortisation of prepaid land lease payments*	16	**30,910**	26,636
Amortisation of operating concessions*	18	**59,391**	–
Amortisation of operating rights*	19	**34,340**	19,104
Amortisation of other intangible assets#	20	**2,463**	792
Minimum lease payments under operating leases		**58,683**	34,668
Auditor's remuneration		**5,138**	5,717
Employee benefit expenses (excluding Directors' remuneration (note 8)):			
Wages and salaries		**419,897**	227,916
Equity-settled share option expenses	37	**23,142**	6,657
Pension scheme contributions		**25,781**	18,074
Welfare and other expenses		**34,129**	22,310
		502,949	274,957
Foreign exchange differences, net		**9,495**	8,112
Impairment of financial assets: **			
Impairment of contract assets**	26, 49	**17,465**	–
Impairment of trade and bills receivables**	27, 49	**8,195**	–
Impairment of financial assets included in prepayments, deposits and other receivables**	49	**10,168**	–
Gains on bargain purchase of subsidiaries^	5	**(22,704)**	–

@ Depreciation for the year amounting to HK$794,472,000 and HK$41,331,000 (2017: HK$459,896,000 and HK$9,205,000) are included in "Cost of sales" and "Administrative expenses" on the face of the consolidated statement of profit or loss, respectively.

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

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

** Impairment of financial assets for the year is included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

8. DIRECTORS' REMUNERATION

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

	2018 HK$'000	2017 HK$'000
Fees	**1,152**	1,144
Other emoluments:		
Salaries, allowances and benefits in kind	**1,992**	1,976
Performance related bonuses*	**2,911**	2,849
Equity-settled share option expense	**23,142**	6,657
Pension scheme contributions	**60**	56
	28,105	11,538
Total	**29,257**	12,682

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

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive Directors

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

	Fees	Equity-settled share option expenses	Total remuneration
	HK$'000	HK$'000	HK$'000
2018			
Mr. Li Fujun	**144**	**159**	**303**
Mr. Xu Honghua	**144**	**159**	**303**
Mr. Chiu Kung Chik	**144**	**159**	**303**
	432	**477**	**909**
2017			
Mr. Li Fujun	144	46	190
Mr. Xu Honghua	144	46	190
Mr. Chiu Kung Chik	144	46	190
	432	138	570

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive Directors

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2018						
Mr. Hu Xiaoyong	**144**	**–**	**26**	**9,510**	**–**	**9,680**
Mr. Shi Xiaobei	**144**	**–**	**–**	**–**	**–**	**144**
Mr. Huang Weihua §	**144**	**966**	**1,013**	**6,340**	**60**	**8,523**
Mr. Wang Ye	**144**	**1,026**	**1,872**	**6,340**	**–**	**9,382**
Mr. Wen Hui π	**144**	**–**	**–**	**475**	**–**	**619**
	720	**1,992**	**2,911**	**22,665**	**60**	**28,348**
2017						
Mr. Hu Xiaoyong	144	–	35	2,736	–	2,915
Mr. Shi Xiaobei	144	–	–	–	–	144
Mr. Huang Weihua §	136	1,150	1,659	1,823	51	4,819
Mr. Wang Ye	144	756	1,155	1,823	–	3,878
Mr. Wen Hui π	135	–	–	137	–	272
Mr. Liang Yongfeng ^	9	70	–	–	5	84
	712	1,976	2,849	6,519	56	12,112

§ appointed as an executive Director and the chief executive officer of the Company on 23 January 2017.

π appointed as an executive Director on 23 January 2017.

^ resigned as an executive Director and the chief executive officer of the Company on 23 January 2017.

During the year ended 31 December 2017, share options were granted to the Directors in respect of their services to the Group under the share option scheme of the Company, details of which are set out in note 37 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined at the date of grant and the amounts included in the financial statements for the current year is included in the above Directors' disclosures.

Except for the forfeiture of share options to subscribe for 30,000,000 ordinary shares of the Company by Mr. Shi Xiaobei, an executive Director, on 25 September 2017, there was no arrangement under which a Director waived or agreed to waive any remuneration during the years ended 31 December 2018 and 2017.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 3 Directors (2017: 3), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining 2 (2017: 2) non-Directors highest paid employees are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**1,428**	1,173
Performance related bonuses	**3,103**	2,176
Pension scheme contributions	**132**	117
	4,663	3,466

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

	Number of employees	
	2018	2017
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**2**	–
	2	2

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (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 HK$'000	2017 HK$'000
Current – Mainland China	**168,565**	270,594
Deferred (note 35)	**(8,941)**	15,313
Total tax expense for the year	**159,624**	285,907

10. INCOME TAX EXPENSE (CONTINUED)

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

	2018		2017	
	HK$'000	%	HK$'000	%
Profit before tax	1,537,580		1,862,233	
Tax expense at the statutory tax rate	399,560	26.0	477,112	25.6
Tax concession	(324,025)	(21.1)	(275,757)	(14.8)
Withholding tax on the distributable profits of the Group's PRC Subsidiaries	–	–	3,212	0.2
Effect on opening deferred tax of increase in rates	–	–	4,785	0.3
Profit or loss attributable to joint ventures and associates	3,056	0.2	(3,903)	(0.2)
Income not subject to tax	(11,132)	(0.7)	(8,685)	(0.5)
Expenses not deductible for tax	59,977	3.9	78,104	4.2
Tax losses not recognised as deferred tax assets	32,188	2.1	11,039	0.6
Tax expense at the Group's effective tax rate	159,624	10.4	285,907	15.4

Share of tax attributable to joint ventures amounting to HK$15,000 (2017: Nil) and the share of tax attributable to associates amounting to HK$1,475,000 (2017: HK$4,380,000) are included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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

On 14 August 2017, the Board decided to divest the Cigarette Packaging Business in order to focus its resources on the clean energy businesses.

On 10 January 2018, the Company announced the disposal of the Cigarette Packaging Business, which comprised the following then wholly-owned subsidiaries of the Group:

(1) 深圳大洋洲印務有限公司 (Shenzhen Oceania Printing Company Limited*, the "PRC Company");

(2) Super Future Investments Limited (the immediate holding company of the PRC Company); and

(3) Meteor River Limited (the immediate holding company of Super Future Investments Limited, which was wholly-owned by the Company before the disposal of the Cigarette Packaging Business).

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

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 transaction was completed on 17 January 2018. Further details of the disposal of the Cigarette Packaging Business are set out in the Company's announcement dated 10 January 2018.

As at 31 December 2017, the Cigarette Packaging Business was classified as a disposal group held for sale.

The major classes of assets and liabilities of the Cigarette Packaging Business classified as held for sale as at 31 December 2017 are as follows:

	2017 HK$'000
Assets:	
Property, plant and equipment	27,952
Prepayments, deposits and other receivables	187,391
Inventories	16,090
Trade and bills receivables	83,949
Restricted cash and pledged bank deposits	12,530
Cash and cash equivalents	11,983
Assets classified as held for sale	339,895
Liabilities:	
Trade and bills payables	(62,718)
Other payables and accruals	(12,516)
Income tax payable	(10,628)
Deferred tax liabilities	(13,310)
Liabilities directly associated with the assets classified as held for sale	(99,172)
Net assets directly associated with the disposal group	240,723

12. DIVIDENDS

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

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

The calculation of the basic earnings per share amounts is based on the profit attributable to the equity holders of the Company, adjusted for the distribution related to the perpetual capital instrument, for the years ended 31 December 2018 and 2017, and the weighted average number of ordinary shares and convertible preference shares in issue during the years.

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (CONTINUED)

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 **HK$'000**	2017 HK$'000
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	**(6,461)**	–
Profit used in the basic and diluted earnings per share calculation	**1,262,184**	1,560,348

	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 (note)	**63,525,397,057**	57,304,086,649
Effect of dilution:		
Forward contract on convertible preference shares	**–**	1,047,096,218
Share options	**18,396,405**	–
Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation (note)	**63,543,793,462**	58,351,182,867
Basic earnings per share	**HK1.99 cents**	HK2.72 cents
Diluted earnings per share	**HK1.99 cents**	HK2.67 cents

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 numbers 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Photovoltaic and wind power plants HK$'000	Clean heat supply facilities HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2018									
At 31 December 2017 and 1 January 2018:									
Cost	**68,145**	**8,579**	**15,186,640**	**236,320**	**180**	**9,528**	**20,038**	**810,215**	**16,339,645**
Accumulated depreciation	**(12,535)**	**(1,204)**	**(746,764)**	**(3,550)**	**(24)**	**(4,208)**	**(3,599)**	**–**	**(771,884)**
Net carrying amount	**55,610**	**7,375**	**14,439,876**	**232,770**	**156**	**5,320**	**16,439**	**810,215**	**15,567,761**
At 1 January 2018, net of accumulated depreciation	**55,610**	**7,375**	**14,439,876**	**232,770**	**156**	**5,320**	**16,439**	**810,215**	**15,567,761**
Additions	**131,419**	**–**	**86,489**	**42,376**	**–**	**5,303**	**14,966**	**2,784,780**	**3,065,333**
Disposals	**–**	**–**	**–**	**–**	**(139)**	**(618)**	**(165)**	**–**	**(922)**
Acquisition of subsidiaries (note 40)	**109,896**	**–**	**2,568,803**	**240,136**	**–**	**1,366**	**4,951**	**182,503**	**3,107,655**
Depreciation provided during the year	**(31,990)**	**(915)**	**(765,436)**	**(29,036)**	**–**	**(1,174)**	**(7,252)**	**–**	**(835,803)**
Disposal of subsidiaries (note 41)	**–**	**–**	**(452,208)**	**–**	**–**	**(76)**	**(82)**	**–**	**(452,366)**
Transfers	**–**	**–**	**1,365,474**	**14,924**	**–**	**–**	**–**	**(1,380,398)**	**–**
Exchange realignment	**(6,383)**	**(331)**	**(953,443)**	**(24,663)**	**(1)**	**(518)**	**(1,407)**	**(120,765)**	**(1,107,511)**
At 31 December 2018, net of accumulated depreciation	**258,552**	**6,129**	**16,289,555**	**476,507**	**16**	**9,603**	**27,450**	**2,276,335**	**19,344,147**
At 31 December 2018:									
Cost	**302,367**	**8,179**	**17,682,602**	**507,583**	**40**	**13,680**	**36,910**	**2,276,335**	**20,827,696**
Accumulated depreciation	**(43,815)**	**(2,050)**	**(1,393,047)**	**(31,076)**	**(24)**	**(4,077)**	**(9,460)**	**–**	**(1,483,549)**
Net carrying amount	**258,552**	**6,129**	**16,289,555**	**476,507**	**16**	**9,603**	**27,450**	**2,276,335**	**19,344,147**

	Buildings HK$'000	Leasehold improvements HK$'000	Photovoltaic and wind power plants HK$'000	Clean heat supply facilities HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2017									
At 1 January 2017:									
Cost	27,247	4,117	7,858,721	–	136,618	10,076	8,232	1,648,450	9,693,461
Accumulated depreciation	(1,301)	(291)	(205,941)	–	(66,124)	(3,061)	(3,768)	–	(280,486)
Net carrying amount	25,946	3,826	7,652,780	–	70,494	7,015	4,464	1,648,450	9,412,975
At 1 January 2017, net of accumulated depreciation	25,946	3,826	7,652,780	–	70,494	7,015	4,464	1,648,450	9,412,975
Additions	–	4,071	125,850	66,520	1,465	4,250	14,639	2,826,513	3,043,308
Disposals	–	–	–	–	(266)	(329)	(52)	–	(647)
Acquisition of subsidiaries (note 40)	54,730	–	2,944,838	140,280	2	1,518	855	173,353	3,315,576
Depreciation provided during the year	(1,423)	(885)	(452,609)	(3,409)	(3,878)	(3,825)	(3,072)	–	(469,101)
Disposal of subsidiaries (note 41)	(26,664)	–	(132,161)	–	(47,074)	(568)	(430)	(91,946)	(298,843)
Transfers	–	–	3,819,282	20,142	–	–	–	(3,839,424)	–
Reclassified as assets held for sale (note 11)	–	–	–	–	(23,745)	(3,428)	(779)	–	(27,952)
Exchange realignment	3,021	363	481,896	9,237	3,158	687	814	93,269	592,445
At 31 December 2017, net of accumulated depreciation	55,610	7,375	14,439,876	232,770	156	5,320	16,439	810,215	15,567,761
At 31 December 2017:									
Cost	68,145	8,579	15,186,640	236,320	180	9,528	20,038	810,215	16,339,645
Accumulated depreciation	(12,535)	(1,204)	(746,764)	(3,550)	(24)	(4,208)	(3,599)	–	(771,884)
Net carrying amount	55,610	7,375	14,439,876	232,770	156	5,320	16,439	810,215	15,567,761

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amounts of photovoltaic and wind power plants and clean heat supply facilities at 31 December 2018 was HK$14,686,651,000 (2017: HK$11,639,189,000), of which HK$170,455,000 (2017: Nil) and HK$8,844,091,000 (2017: HK$7,080,268,000) were also pledged to secure certain interest-bearing bank and other borrowings and finance lease arrangements (notes 33(b)(iv) and 34(b)(ii)), respectively.

15. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January and 31 December:	**175,000**	175,000

Notes:

(a) The Group's investment properties consist of an office floor and 4 car parking spaces in Hong Kong and were revalued on 31 December 2018 based on valuations performed by an independent professionally qualified valuer. Each year, the Group's senior management decides which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has ongoing discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

(b) Fair value hierarchy disclosure

The fair value of the Group's investment properties was measured using significant unobservable inputs (Level 3 of fair value hierarchy) as defined in HKFRS 13. During the year, there was no transfer into or out of Level 3 (2017: Nil).

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

Valuation technique	**Significant unobservable inputs**	**Weighted average input**	
Direct comparison method	Price per square feet	As at 31 December 2018 Office: HK$18,400 per square feet	As at 31 December 2017 Office: HK$18,400 per square feet
		Car parking space: HK$1,750,000 per space	Car parking space: HK$1,750,000 per space

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

16. PREPAID LAND LEASE PAYMENTS

	Notes	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January		**196,420**	134,791
Additions		**29,968**	53,096
Acquisition of subsidiaries	40	**73,131**	46,206
Disposal of subsidiaries	41	**(66)**	(23,057)
Amortisation provided during the year	6	**(30,910)**	(26,636)
Exchange realignment		**(13,801)**	12,020
Carrying amount at 31 December		**254,742**	196,420
Current portion		**(18,220)**	(5,318)
Non-current portion		**236,522**	191,102

17. GOODWILL

	Notes	2018 HK$'000	2017 HK$'000
Cost and net carrying amount:			
At 1 January		**339,287**	167,568
Acquisition of subsidiaries	40	**187,991**	177,930
Disposal of subsidiaries	41	**–**	(18,507)
Exchange realignment		**(26,711)**	12,296
At 31 December		**500,567**	339,287

17. GOODWILL (CONTINUED)

Impairment testing of goodwill

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

	2018 **HK$'000**	2017 HK$'000
Carrying amount of goodwill		
Photovoltaic Power Businesses and Wind Power Businesses	**410,593**	339,287
Clean Heat Supply Business	**89,974**	–
	500,567	339,287

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

Key assumptions used in estimations of the recoverable amounts

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

Photovoltaic Power Business and Wind Power Businesses

- Budgeted revenue
  - The budgeted revenue is based on the projected electricity sales volume and the latest electricity selling prices and tariff charges as issued by the National Development and Reform Commission of the PRC applicable to the respective projects.
- Budgeted gross margin
  - The basis used to determine the value assigned to the budgeted gross margin is the weighted average gross margin of 66.1% achieved in the year immediately before the budget year with reference to the respective projects, and the expected market development.
- Discount rate
  - The pre-tax discount rate of 11.4% (2017: 10.76%) is used and reflects specific risks of the respective units (group of cash-generating units) and are determined by reference to the discount rates for similar industries.

17. GOODWILL (CONTINUED)

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

Photovoltaic Power Business and Wind Power Businesses (Continued)

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

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

Clean Heat Supply Business

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

The determination of the recoverable amount of the Clean Heat Supply Business cash-generating units (group of cash-generating units) was particularly sensitive to changes in the following key assumptions for the year ended 31 December 2018:

– An increase of 0.5% in the discount rate adopted would result in the reduction of the recoverable amount of HK$112 million.

– An increase of 0.5% in the costs inflation of clean heat materials would result in the reduction of the recoverable amount of HK$185 million.

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

18. SERVICE CONCESSION ARRANGEMENTS

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

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

At 31 December 2018, the Group had 1 and 4 (2017: 1 and 1) service concession arrangements in the operation on the Photovoltaic Power Business and the Clean Heat Supply Business, respectively, with the respective governmental authorities in Mainland China, and a summary of the major terms of these service concession arrangements is set out as follows:

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

18. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

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

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

18. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

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

	Notes	2018 HK$'000	2017 HK$'000
At 1 January:			
Cost and net carrying amount		**1,060,563**	–
At 1 January		**1,060,563**	–
Additions		**246,072**	1,018,744
Acquisition of subsidiaries	40	**746,482**	–
Amortisation provided during the year	6	**(59,391)**	–
Exchange realignment		**(99,202)**	41,819
At 31 December		**1,894,524**	1,060,563
At 31 December:			
Cost		**1,951,215**	1,060,563
Accumulated amortisation		**(56,691)**	–
Net carrying amount		**1,894,524**	1,060,563

At 31 December 2018, concession rights of the Group included in operating concessions with an aggregate carrying amount of HK$1,026,846,000 (2017: HK$837,044,000) were pledged to secure certain finance lease payables granted to the Group (note 34(b)(iv)).

19. OPERATING RIGHTS

Operating rights represent the rights to operate (i) certain photovoltaic and wind power plants in designated locations according to the contractual arrangements entered into between the Group's project companies and State Grid Corporation of China ("State Grid") for the sale of electricity, operating licences granted by governmental authorities in Mainland China and the existing government policies on the related businesses; and (ii) certain clean heat supply facilities in designated locations according to the contractual arrangements entered into between the Group's project companies and governmental authorities in Mainland China for the operating licences granted by relevant governmental authorities. The operating rights were acquired through business combinations and initially measured at fair value. Details of the Group's business combinations are set out in note 40 to the financial statements.

	Notes	**2018** **HK$'000**	2017 HK$'000
At 1 January:			
Cost		**540,660**	374,614
Accumulated amortisation		**(23,778)**	(4,659)
Net carrying amount		**516,882**	369,955
At 1 January		**516,882**	369,955
Acquisition of subsidiaries	40	**564,329**	147,676
Amortisation provided during the year	6	**(34,340)**	(19,104)
Disposal of a subsidiary	41	**–**	(16,103)
Exchange realignment		**(52,403)**	34,458
At 31 December		**994,468**	516,882
At 31 December:			
Cost		**1,050,387**	540,660
Accumulated amortisation		**(55,919)**	(23,778)
Net carrying amount		**994,468**	516,882

20. OTHER INTANGIBLE ASSETS

		Computer software	
	Notes	**2018** **HK$'000**	2017 HK$'000
At 1 January:			
Cost		**9,713**	2,561
Accumulated amortisation		**(962)**	(127)
Net carrying amount		**8,751**	2,434
At 1 January		**8,751**	2,434
Additions		**13,550**	7,193
Acquisition of subsidiaries	40	**3,314**	–
Disposal		**–**	(507)
Amortisation provided during the year	6	**(2,463)**	(792)
Exchange realignment		**(1,122)**	423
At 31 December		**22,030**	8,751
At 31 December:			
Cost		**50,781**	9,713
Accumulated amortisation		**(28,751)**	(962)
Net carrying amount		**22,030**	8,751

21. INTERESTS IN JOINT VENTURES

	Notes	2018 HK$'000	2017 HK$'000
Investments in joint ventures:			
Share of net assets	(a), (b)	**140,959**	94,228
Due from a joint venture, included in non-current assets		**118,477**	–
Due from a joint venture, included in current assets	(c)	**323,963**	45,333
	28	**442,440**	45,333
Total interests in joint ventures		**583,399**	139,561

Notes:

(a) In 2017, the Group (as a general partner) entered into a partnership agreement (the "CR BE (Shantou) Partnership Agreement") with a senior limited partner and several investors (as general partners or junior limited partners) in relation to the establishment and management of a limited partnership, 華潤北控(汕頭)新能源產業基金合夥企業(有限合夥)(CR BE (Shantou) New Energy Industrial Fund Partnership Corporation (Limited Partnership)*, "CR BE (Shantou)") which primarily invests in photovoltaic power projects in the PRC.

Pursuant to the CR BE (Shantou) Partnership Agreement, the aggregate capital commitment of the limited partnership was RMB1.5 billion. As at 31 December 2018, the total investment contributed by the Group and other partners in the limited partnership amounted to RMB43 million and RMB1,115 million, respectively (31 December 2017: RMB43 million and RMB452 million, respectively).

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

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

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

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

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

21. INTERESTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

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

Pursuant to the BE Suyin Partnership Agreement, the aggregate capital commitment of the limited partnership was approximately RMB1 billion. As at 31 December 2018, the total investment contributed by the Group and other partners in the limited partnership amounted to RMB41 million and RMB169 million, respectively (31 December 2017: RMB41 million and RMB169 million, respectively).

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

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

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

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

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

(c) Included in the amounts due from a joint venture as at 31 December 2017 was an advance to a joint venture of RMB5,001,000 (equivalent to HK$6,004,000). The amount was unsecured, bore interest at a fixed interest rate of 10% per annum and was repayable on demand. Other than the above balance, the amounts due from a joint venture included in current assets as at 31 December 2018 and 2017 are unsecured, interest-free and have no fixed terms of repayment.

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

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

	2018 HK$'000	2017 HK$'000
Share of the joint ventures' losses for the year	**(20,157)**	(624)
Share of the joint ventures' total comprehensive income/(loss)	**(28,332)**	3,111
Aggregate carrying amount of the Group's investments in joint ventures	**140,959**	94,228

22. INTERESTS IN ASSOCIATES

	Note	2018 HK$'000	2017 HK$'000
Investments in associates:			
Share of net assets		**703,510**	681,279
Due from associates, included in current assets	28	**130,536**	170,824
Total interests in associates		**834,046**	852,103

Included in the amounts due from associates as at 31 December 2018 were advances to an associate of RMB87,360,000 (equivalent to HK$99,273,000) (2017: RMB122,360,000 (equivalent to HK$146,911,000)) in aggregate, which were unsecured, bore interest at fixed rates ranging from 6.525% to 9% per annum and were repayable on demand. Other than the above advances, the amounts due from associates included in current assets as at 31 December 2018 and 2017 were unsecured, interest-free and have no fixed terms of repayment.

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

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

	2018 HK$'000	2017 HK$'000
Share of the associates' profits for the year	**7,933**	16,234
Share of the associates' total comprehensive income/(loss)	**(31,340)**	43,238
Aggregate carrying amount of the Group's investments in associates	**703,510**	681,279

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Unlisted investments, at fair value	**263,124**	–

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

24. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENT

	2018	2017
	HK$'000	HK$'000
Financial asset at fair value through other comprehensive income		
Unlisted equity investment, at fair value	**7,205**	–
Available-for-sale investment		
Unlisted equity investment, at cost	**–**	7,612

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

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

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

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

In addition, the Group's contractual obligations to purchase the remaining equipment amounted to HK$9,028,000 as at 31 December 2018 (2017: HK$106,011,000).

26. CONTRACT ASSETS/AMOUNTS DUE FROM CONTRACT CUSTOMERS

Contract assets

	Notes	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Tariff adjustment receivables	(a)	**2,491,836**	1,626,796	–
Construction contracts	(b)	**1,693,796**	1,846,926	–
Retention money	(b)	**339,917**	202,339	–
		4,525,549	3,676,061	–
Less: Impairment	(c)	**(23,877)**	(7,205)	–
	(d)	**4,501,672**	3,668,856	–

Amounts due from contract customers

	31 December 2018 HK$'000	31 December 2017 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	**–**	3,269,771
Less: Progress billings	**–**	(1,240,880)
	–	2,028,891

Notes:

(a) Tariff adjustment receivables included in contract assets represented the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that are to be billed and settled upon registering into the Subsidy Catalogues. In the opinion of the Directors, the registration procedures of the Subsidy Catalogues for the Group's photovoltaic and wind power plant projects are of administrative in nature and the Group will comply with the related procedures stipulated by the current government policy in Mainland China and all other attaching conditions, if any.

(b) Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on construction progress. Included in contract assets for construction services are retention receivables. Upon completion of certain milestones as agreed with customers and such being accepted by them, the amounts recognised as contract assets are reclassified to trade receivables.

26. CONTRACT ASSETS/AMOUNTS DUE FROM CONTRACT CUSTOMERS (CONTINUED)

Notes: (Continued)

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

	2018 HK$'000
At beginning of year	–
Effect of adoption of HKFRS 9	7,205
At beginning of year (restated)	7,205
Impairment losses (note 6)	17,465
Exchange realignment	(793)
At end of year	23,877

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

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

As at 31 December 2018:

Expected credit loss rate	0.53%
Gross carrying amount (HK$'000)	4,525,549
Expected credit losses (HK$'000)	23,877

27. TRADE AND BILLS RECEIVABLES

	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Trade receivables	**1,971,260**	2,411,054	2,431,428
Bills receivable	**625,804**	380,539	380,539
	2,597,064	2,791,593	2,811,967
Tariff adjustment receivables	**711,821**	63,262	1,690,058
	3,308,885	2,854,855	4,502,025
Less: Impairment	**(19,289)**	(11,467)	–
	3,289,596	2,843,388	4,502,025

Notes:

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

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

(b) Certain subsidiaries engaging in the operation of clean energy businesses have pledged trade receivables to secure certain bank borrowings (note 33(b)(ii)) and finance lease arrangements (note 34(b)(iii)).

(c) Ageing analysis and impairment under HKFRS 9 for the year ended 31 December 2018

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

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

27. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) Ageing analysis and impairment under HKFRS 9 for the year ended 31 December 2018 (Continued)

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 HK$'000
Within 3 months	**92,353**
4 to 6 months	**109,797**
7 to 12 months	**202,600**
Over 1 year	**307,071**
	711,821

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

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

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

As at 31 December 2018:

		Past due			
	Current	Less than 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	**0.06%**	**0.16%**	**1.47%**	**2.77%**	**0.97%**
Gross carrying amount (HK$'000)	**662,927**	**480,344**	**385,214**	**442,775**	**1,971,260**
Expected credit losses (HK$'000)	**414**	**777**	**5,646**	**12,247**	**19,084**

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

27. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(d) Ageing analysis and impairment under HKAS 39 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 HK$'000
Within 3 months	1,527,579
4 to 6 months	98,322
7 to 12 months	1,114,507
Over 1 year	71,559
	2,811,967

The trade and bills receivables were not impaired because they related to those customers who had long-term relationship with the Group or with no history of default. The Directors were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

The ageing analysis of the billed trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000
Neither past due nor impaired	1,318,574
Less than 1 month past due	84,932
1 to 3 months past due	270,259
4 to 6 months past due	633,741
7 months to 1 year past due	438,488
Over 1 year past due	65,973
	2,811,967

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

	2018 HK$'000	2017 HK$'000
At the beginning of year	**–**	–
Effect of adoption of HKFRS 9	**11,467**	–
At beginning of year (restated)	**11,467**	–
Impairment losses (note 6)	**8,195**	–
Exchange realignment	**(373)**	–
At end of year	**19,289**	–

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Prepayments	(a)	**1,865,624**	1,161,877
Deposits and other receivables	(b)	**3,357,207**	1,830,186
Due from a joint venture	21	**442,440**	45,333
Due from associates	22	**130,536**	170,824
		5,795,807	3,208,220
Less: Impairment		**(13,816)**	–
		5,781,991	3,208,220
Portion classified as current assets		**(2,754,169)**	(1,756,591)
Non-current portion		**3,027,822**	1,451,629

Notes:

(a) The Group's prepayments as at 31 December 2018 included, inter alia, prepayments of HK$1,669,559,000 (2017: HK$1,056,292,000) for the purchase of equipment for photovoltaic and wind power plant projects and clean heat supply facilities, of which, an aggregate amount of HK$1,004,281,000 (2017: HK$558,829,000) related to prepayments for the purchase of equipment for self-constructed plants and facilities and was classified as a non-current asset.

(b) The Group's deposits and other receivables as at 31 December 2018 included, inter alia, the following:

(i) Investment/bidding deposits of HK$1,271,515,000 (2017: HK$421,600,000) in aggregate paid to independent third parties in the PRC for potential acquisition of clean energy projects. The deposits were classified as non-current assets;

(ii) Advances of HK$572,745,000 (2017: HK$324,324,000) provided to independent third parties engaging in the development and operation of clean energy businesses, which were generally secured, bearing interests at rates ranging from 4.35% to 10% per annum, and repayable within one year after the reporting period. The balances were classified as current assets; and

(iii) Refundable security deposits under finance lease arrangements of HK$363,182,000 (2017: HK$280,281,000). The deposits were classified as non-current assets.

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

29. OTHER TAX RECOVERABLES

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

30. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2018 **HK$'000**	2017 HK$'000
Pledged bank deposits	**292,896**	497,340
Cash and bank balances	**2,318,795**	4,214,092
Time deposits	**449,567**	558,662
Total cash and bank balances	**3,061,258**	5,270,094
Less: Pledged bank deposits (note)	**(292,896)**	(497,340)
Cash and cash equivalents	**2,768,362**	4,772,754

Note:

The Group's pledged bank deposits as at 31 December 2018 and 2017 included the bank deposits of RMB257,748,000 (equivalent to HK$292,896,000) (2017: RMB414,226,000 (equivalent to HK$497,340,000)) which were pledged to secure certain banking facilities in the form of bills payable (note 31) granted to the Group as at 31 December 2018 (2017: in the form of bills payable (note 31) and bank borrowings (note 33(b)(iii)) granted to the Group).

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

	2018 **HK$'000**	2017 HK$'000
HK$	**118,187**	1,182,382
RMB	**2,929,239**	4,042,638
Other currencies	**13,832**	45,074
	3,061,258	5,270,094

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

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

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

31. TRADE AND BILLS PAYABLES

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

	2018 **HK$'000**	2017 HK$'000
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**	–
	4,375,776	4,631,417

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.

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 (note 30).

32. OTHER PAYABLES AND ACCRUALS

	Notes	2018 HK$'000	2017 HK$'000
Deposits received		**46,002**	9,455
Other payables	(a)	**4,582,297**	3,961,246
Accruals		**117,554**	72,641
Contract liabilities	(b)	**355,285**	–
		5,101,138	4,043,342

Notes:

(a) Other payables are non-interest-bearing and are normally settled within three months. The Group's other payables as at 31 December 2018 included, inter alia, the following:

(i) an aggregate amount of HK$575,909,000 (2017: HK$540,208,000) of outstanding considerations payable in respect of the acquisition of subsidiaries (note 40) during the year;

(ii) an aggregate amount of HK$1,053,253,000 (2017: HK$609,432,000) due to certain independent third parties assumed by the Group upon the acquisitions of subsidiaries during the year. The balances mainly represented construction costs payable by the acquired companies and according to the debt settlement agreements entered into between the Group and counterparties, the debts originally owed by the acquired subsidiaries were assumed by the Group upon acquisitions. The amounts are repayable according to the time schedules as stipulated in the debt settlement agreements and the last repayments of each assumed liability are usually repayable within 1 year of the acquisition; and

(iii) an aggregate amount of HK$2,373,109,000 (2017: HK$2,453,916,000) due to certain contractors arising from construction and purchase of equipment of photovoltaic and wind power plants, and clean heat supply facilities.

(b) Contract liabilities include short-term advances received to deliver construction services amounting to HK$355,285,000 as at 31 December 2018 (1 January 2018: Nil). The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank and other loans:		
Secured	**1,525,583**	1,782,541
Unsecured	**6,024,584**	4,747,522
Total bank and other borrowings	**7,550,167**	6,530,063
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand (note (d))	**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
Total bank and other borrowings	**7,550,167**	6,530,063
Portion classified as current liabilities	**(1,508,886)**	(1,349,295)
Non-current portion	**6,041,281**	5,180,768

Notes:

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

	2018 HK$'000	2017 HK$'000
HK$	**4,867,902**	4,197,594
RMB	**1,902,134**	2,332,469
US$	**780,131**	–
	7,550,167	6,530,063

(b) 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 trade receivables of certain subsidiaries with an aggregate amount of HK$30,651,000 (2017: HK$25,024,000) as at 31 December 2018 (note 27(b));

(iii) pledges over certain of the Group's bank balances (note 30) as at 31 December 2017; and/or

(iv) pledges over the Group's property, plant and equipment with an aggregate carrying amount of HK$170,455,000 (2017: Nil) as at 31 December 2018 (note 14).

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

Notes: (Continued)

(c) The Group's bank and other borrowings in an aggregate amount of HK$7,480,282,000 (2017: HK$6,459,225,000) as at 31 December 2018 bear interest at floating rates with effective interest rates ranging from 2.90% to 5.96% (2017: 2.71% to 6.53%).

(d) 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.

(e) Loan agreements of certain bank loans of the Group in an aggregate carrying amount of HK$5,648,033,000 (2017: HK$4,197,594,000) as at 31 December 2018 include covenants imposing specific performance obligations on substantial beneficial owners of the Company, among which the following events would constitute an event of default on the loan facilities:

(i) In relation to the facilities dated 1 November 2016, 18 September 2017, 12 October 2017, 10 May 2018, 29 May 2018 and 17 December 2018:

(1) Beijing Enterprises Water Group Limited ("BEWG") does not or ceases to own, directly or indirectly, at least 25% of the beneficial shareholding carrying at least 25% of the voting rights in the Company, free from mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (each, a "Security");

(2) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company;

(3) Beijing Enterprises Holdings Limited ("BEHL") does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from any Security;

(4) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and does not or ceases to (a) supervise BEWG; and/or (b) have management control over BEWG;

(5) Beijing Enterprises Group Company Limited ("BE Group") does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security;

(6) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL and/or does not or ceases to supervise BEHL; and

(7) BE Group is not or ceases to be effectively wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality*).

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

Notes: (Continued)

(e) (Continued)

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

(1) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company and/or have management control over the Company;

(2) BEHL does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from Security;

(3) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and/or does not or ceases to supervise BEWG and/or have management control over BEWG;

(4) BE Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security;

(5) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL, and/or does not or ceases to supervise BEHL; and

(6) BE Group is not or ceases to be wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality*).

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

34. 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 the 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) All of the finance lease arrangements are denominated in RMB.

(b) Certain of the above finance lease arrangements are secured by:

(i) guarantees given by the Company and/or its subsidiaries;

(ii) pledges over the Group's leased assets with an aggregate carrying amount of HK$8,844,091,000 as at 31 December 2018 (2017: HK$7,080,268,000) (note 14);

(iii) pledges over trade receivables of certain subsidiaries with an aggregate amount of HK$162,842,000 (2017: HK$180,882,000) as at 31 December 2018 (note 27(b));

(iv) certain concession rights of the Group with a carrying amount of HK$1,026,846,000 (2017: HK$837,044,000) as at 31 December 2018 (note 18); and

(v) pledges over the Group's equity interests in certain subsidiaries.

34. FINANCE LEASE PAYABLES (CONTINUED)

Notes: (Continued)

(c) The finance lease agreements in respect of certain finance lease arrangements as at 31 December 2018 include conditions imposing specific performance obligations on the Company, among which the following events would constitute events of default on the finance lease payables:

(i) if BEWG holds less than 27% of the ordinary shares of the Company, directly or indirectly; and

(ii) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company.

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

35. DEFERRED TAX

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

	2018 **HK$'000**	2017 HK$'000
Deferred tax assets	**33,818**	27,122
Deferred tax liabilities	**(319,842)**	(167,002)
	(286,024)	(139,880)

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

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	**Temporary differences related to service concession arrangements** HK$'000	**Withholding tax** HK$'000	**Other temporary differences** HK$'000	**Net deferred tax assets/ (liabilities)** HK$'000
At 1 January 2017	(77,676)	–	(4,640)	776	(81,540)
Acquisition of subsidiaries (note 40)	(51,730)	–	–	–	(51,730)
Liabilities included in a disposal group held for sale (note 11)	–	–	13,310	–	13,310
Disposal of subsidiaries (note 41)	4,026	–	–	–	4,026
Net deferred tax credited/(charged) to profit or loss during the year	4,323	(17,711)	(7,997)	6,072	(15,313)
Exchange realignment	(7,537)	(731)	(673)	308	(8,633)
At 31 December 2017 and 1 January 2018	**(128,594)**	**(18,442)**	**–**	**7,156**	**(139,880)**
Acquisition of subsidiaries (note 40)	**(114,353)**	**(55,338)**	**–**	**–**	**(169,691)**
Net deferred tax credited/(charged) to profit or loss during the year	**8,758**	**(4,145)**	**–**	**4,328**	**8,941**
Exchange realignment	**11,513**	**3,690**	**–**	**(597)**	**14,606**
At 31 December 2018	**(222,676)**	**(74,235)**	**–**	**10,887**	**(286,024)**

35. DEFERRED TAX (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% (2017: 10%) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For a subsidiary of the Cigarette Packaging Business, the applicable rate is 10% (2017: 10%). The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

Deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$3,544,393,000 (2017: HK$2,153,904,000) as at 31 December 2018.

The Group also has tax losses arising in Mainland China of HK$122,554,000 (2017: HK$34,791,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries which had not yet commenced business during the year. In the opinion of the Directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

36. SHARE CAPITAL

	Notes	**2018** **HK$'000**	2017 HK$'000
Authorised:			
Ordinary shares:			
466,637,115,100 shares of HK$0.001 each		**466,637**	466,637
Convertible preference shares:			
33,362,884,900 shares of HK$0.001 each	(a)	**33,363**	33,363
		500,000	500,000
Issued and fully paid:			
Ordinary shares:			
63,525,397,057 shares of HK$0.001 each	(b)	**63,525**	63,525

36. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Notes	Number of ordinary shares in issue (note (a))	Number of convertible preference shares in issue (note (a))	Ordinary shares HK$'000	Convertible preference shares HK$'000	Total HK$'000
At 1 January 2017		42,512,107,314	7,482,296,716	42,512	7,483	49,995
Issue of new convertible preference shares	(b)	–	4,749,933,780	–	4,749	4,749
Conversion of convertible preference shares	(b)	12,232,230,496	(12,232,230,496)	12,232	(12,232)	–
Issue of new ordinary shares upon completion of the Open Offer	(c)	7,820,619,687	–	7,821	–	7,821
Issue of new ordinary shares for acquisition of investment properties	(d)	960,439,560	–	960	–	960
At 31 December 2017, 1 January 2018 and 31 December 2018		63,525,397,057	–	63,525	–	63,525

Notes:

(a) The number of ordinary shares that holders of convertible preference shares shall be entitled to following a conversion event shall be the subscription price of each convertible preference share multiplied by the number of the convertible preference shares being converted, divided by HK$0.079 (as adjusted in accordance with the conversion adjustment). The conversion is subject to the condition that the holders of the convertible preference shares shall not exercise the conversion rights if, upon the conversion, the percentage of the ordinary shares held by the public would drop below the minimum public float requirements under the Listing Rules applicable to the Company.

The holders of the convertible preference shares are entitled to participate pari passu in any dividends payable to the holders of the ordinary shares on a pro rata as-if-converted basis. The holders of the convertible preference shares shall rank prior to, for return of capital on liquidation, winding up or dissolution of the Company and shall rank pari passu with, for participation in the distribution of surplus assets of the Company, all other ordinary shares in the capital of the Company for the time being in issue.

The holders of the convertible preference shares shall not be entitled to vote at general meetings of the Company unless a resolution is to be proposed at a general meeting for winding up the Company or a resolution is to be proposed at a general meeting which, if passed, would vary or abrogate the rights and privileges of the convertible preference shares.

The convertible preference shares shall be non-redeemable and the convertible preference shares are not listed on the Stock Exchange.

36. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(b) On 9 December 2014, 29 December 2014, 31 January 2015 and 30 April 2015, a principal and several supplemental subscription agreements (collectively the "Subscription Agreements") were entered into by the Company and four subscribers (the "Subscribers"), pursuant to which the Subscribers had conditionally agreed to subscribe for, or procure subscribers to subscribe for, and the Company has conditionally agreed to allot and issue:

(i) 14,136,452,910 ordinary shares and an aggregate of 113,348,440 convertible preference shares at the completion date of 6 May 2015 (the "Completion Date");

(ii) an aggregate of 9,499,867,560 convertible preference shares on the 183rd day after the Completion Date;

(iii) an aggregate of 9,499,867,560 convertible preference shares on the first anniversary of the Completion Date (the "Third Subscription");

(iv) an aggregate of 9,499,867,560 convertible preference shares on the 183rd day after the first anniversary of the Completion Date (the "Fourth Subscription"); and

(v) an aggregate of 4,749,933,780 convertible preference shares on the second anniversary of the Completion Date (the "Fifth Subscription").

The par value of each of the ordinary shares and the convertible preference shares is HK$0.001 and the issue price of each of the ordinary shares and the convertible preference shares is HK$0.079.

During the year ended 31 December 2017, the Fifth Subscription was completed in May 2017 with 4,749,933,780 convertible preference shares issued, and net proceeds of approximately HK$375 million were received.

During the year ended 31 December 2017, 12,232,230,496 convertible preference shares were converted into 12,232,230,496 ordinary shares by the holders of convertible preference shares. All convertible preference shares were fully converted into ordinary shares as at 31 December 2017.

(c) On 11 September 2017, 7,820,619,687 new ordinary shares of the Company were issued for total net proceeds of HK$1,328,225,000 under the Open Offer made to shareholders of the Company on the register of members on 15 August 2017 at an offer price of HK$0.17 per ordinary share on the basis of one offer share for every seven existing shares, for the purpose of raising long-term equity capital to finance its future expansion plan. The difference of HK$1,320,404,000 between the nominal value of the ordinary shares issued and the total net proceeds was recognised in the Company's share premium account. Further details of the Open Offer are set out in the Company's prospectus dated 21 August 2017.

(d) Pursuant to an agreement dated 5 September 2017 entered into between New Channel (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company (as the purchaser) and two independent third parties (as vendors), the Group purchased the entire equity interest in an entity holding an office property and car parking spaces for a consideration of HK$174,800,000, which was satisfied by the allotment of 960,439,560 ordinary shares of the Company on 24 October 2017 upon completion of the transaction. The difference of HK$174,029,000 between the nominal value of the ordinary shares issued and the fair value of the office property, the car parking spaces and other assets and liabilities of the entity acquired was recognised in the Company's share premium account. Further details of the purchase of the entity, the office property and the car parking spaces are set out in the Company's announcement dated 5 September 2017. The office property and the car parking spaces were recognised as investment properties in the Group's financial statements, details of which are set out in note 15 to the financial statements.

37. SHARE OPTION SCHEME

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

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

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

37. SHARE OPTION SCHEME (CONTINUED)

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

	Number of options	Exercise prices HK$ per share	Exercise periods
At 31 December 2018 and 2017	292,000,000	0.199	18 September 2020 to 17 September 2027
	292,000,000	0.199	18 September 2021 to 17 September 2027
	292,000,000	0.199	18 September 2022 to 17 September 2027
	292,000,000	0.199	18 September 2023 to 17 September 2027
	292,000,000	0.199	18 September 2024 to 17 September 2027

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

The fair value of the share options granted during the year ended 31 December 2017 was HK$103,421,000 (HK$0.071 each), of which the Group recognised a share option expense of HK$23,142,000 (2017: HK$6,657,000) during the year ended 31 December 2018.

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

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

37. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 78 and 79 to the financial statements.

Share option reserve

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

Special reserves

The Group's special reserves mainly represent the difference between the carrying amount of the share of net assets acquired and the consideration in respect of the acquisition of the non-controlling interests in subsidiaries during the year ended 31 December 2018 and in prior years.

Statutory surplus reserve

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

39. PERPETUAL CAPITAL INSTRUMENT

	2018 HK$'000
At 1 January	–
Issued during the year	**1,131,315**
Share of profit for the year	**6,461**
At 31 December	**1,137,776**

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

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

40. BUSINESS COMBINATIONS

The provisional fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2018 as at their respective dates of acquisition are set out below:

		2018					2017
	Notes	**Xiangshui Hengneng Photovoltaic Power Co. Ltd.* HK$'000 (note (a)(i))**	**Jin Jie New Energy Co. Ltd* and its subsidiary HK$'000 (note (a)(ii))**	**Wenshui Heat Supply HK$'000 (note (a)(iii))**	**Others HK$'000**	**Total HK$'000**	Total HK$'000 (notes (a) (iv) to (vi))
Property, plant and equipment	14	**771,103**	**493,372**	**325**	**1,842,855**	**3,107,655**	3,315,576
Prepaid land lease payments	16	**–**	**19,036**	**–**	**54,095**	**73,131**	46,206
Property under development		**–**	**–**	**–**	**–**	**–**	136,606
Operating rights	19	**1,711**	**270,087**	**–**	**292,531**	**564,329**	147,676
Operating concessions	18	**–**	**–**	**367,141**	**379,341**	**746,482**	–
Other intangible assets	20	**–**	**–**	**–**	**3,314**	**3,314**	–
Deferred tax assets	35	**–**	**–**	**–**	**2,651**	**2,651**	–
Inventories		**–**	**–**	**8,262**	**18,359**	**26,621**	5,727
Contract assets		**319,314**	**–**	**–**	**163,858**	**483,172**	–
Trade and bills receivables		**–**	**58,263**	**1,074**	**158,755**	**218,092**	271,760
Prepayments, deposits and other receivables		**55,646**	**51,019**	**297,228**	**165,402**	**569,295**	526,332
Other tax recoverables		**164,231**	**–**	**12,789**	**245,443**	**422,463**	397,690
Cash and cash equivalents		**13,918**	**2,318**	**593**	**330,398**	**347,227**	220,405
Trade and bills payables		**–**	**–**	**(103,782)**	**(252,669)**	**(356,451)**	(83,051)
Other payables and accruals		**(88,068)**	**(279,323)**	**(67,103)**	**(1,425,068)**	**(1,859,562)**	(2,725,937)
Deferred income		**–**	**–**	**(105,976)**	**(9,976)**	**(115,952)**	–
Interest-bearing bank borrowings		**–**	**(10,476)**	**–**	**(35,952)**	**(46,428)**	(34,591)
Finance lease payables		**(782,821)**	**(245,657)**	**(291,527)**	**(793,636)**	**(2,113,641)**	(1,584,248)
Income tax payables		**–**	**–**	**–**	**(48,591)**	**(48,591)**	–
Deferred tax liabilities	35	**(3,992)**	**(67,522)**	**(7,530)**	**(93,298)**	**(172,342)**	(51,730)
Total identifiable net assets at fair value		**451,042**	**291,117**	**111,494**	**997,812**	**1,851,465**	588,421
Non-controlling interests		**–**	**(101,891)**	**–**	**(124,586)**	**(226,477)**	(45,813)
		451,042	**189,226**	**111,494**	**873,226**	**1,624,988**	542,608
Provisional goodwill	17	**–**	**72,431**	**5,758**	**109,802**	**187,991**	177,930
Gains on bargain purchase	5	**–**	**–**	**–**	**(22,704)**	**(22,704)**	–
		451,042	**261,657**	**117,252**	**960,324**	**1,790,275**	720,538
Satisfied by:							
Cash consideration		**451,042**	**261,657**	**117,252**	**960,324**	**1,790,275**	747,181
Transfer from other non-current assets/liabilities, net		**–**	**–**	**–**	**–**	**–**	(26,643)
		451,042	**261,657**	**117,252**	**960,324**	**1,790,275**	720,538

40. BUSINESS COMBINATIONS (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Cash consideration	**(1,790,275)**	(747,181)
Cash and cash equivalents acquired	**347,227**	220,405
Outstanding cash consideration at end of year (note 32(a)(i))	**575,909**	540,208
Transfer from other non-current assets/liabilities, net	**–**	26,643
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	**(867,139)**	40,075

The transaction costs incurred by the Group for the acquisitions had been expensed and also included in administrative expenses in the consolidated statements of profit or loss for the years ended 31 December 2018 and 2017.

The above acquisitions are determined on a provisional basis as the Group is in the process of completing the independent valuations to assess the fair values of the identified assets acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition dates.

Since the acquisition, these acquired entities contributed HK$765,106,000 (2017: HK$1,343,064,000) to the Group's revenue and HK$203,238,000 (2017: HK$86,812,000) to the consolidated profit for the year ended 31 December 2018.

Had the above business combinations taken place at the beginning of the year, the Group's profit for the year would have been HK$1,576,227,000 (2017: HK$1,736,090,000) and the Group's revenue would have been HK$7,370,914,000 (2017: HK$10,290,677,000).

Notes:

(a) 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 (2017: the Photovoltaic Power Business and the Clean Heat Supply Business) from certain independent vendors and recorded provisional goodwill of HK$187,991,000 (2017: HK$177,930,000) and gains on bargain purchase of HK$22,704,000 (2017: Nil). Details of the material acquisitions for the years ended 31 December 2018 and 2017 are as follows:

(i) in May 2018, the Group completed the acquisition of the 100% equity interest in 響水恆能太陽能發電有限公司 (Xiangshui Hengneng Photovoltaic Power Co. Ltd.*) from an independent vendor for a consideration of RMB378,875,000 (equivalent to HK$451,042,000), which is principally engaged in the operation of a photovoltaic power plant located in Jiangsu Province, the PRC;

(ii) in August 2018, the Group completed the acquisition of the 65% equity interests in 金杰新能源股份有限公司 (Jin Jie New Energy Co. Ltd.*) and its wholly-owned subsidiary from independent third parties for a cash consideration of RMB219,792,000 (equivalent to HK$261,657,000), which are principally engaged in the operations of certain wind power plants located in Baotou City, The Inner Mongolia Autonomous Region, the PRC;

40. BUSINESS COMBINATIONS (CONTINUED)

Notes: (Continued)

(a) (Continued)

(iii) in September 2018, the Group completed the acquisition of the 100% equity interest in Wenshui Heat Supply from an independent third party for a cash consideration of RMB98,490,000 (equivalent to HK$117,252,000), which is principally engaged in the operation of a clean heat supply facility under a service concession arrangement located in Wenshui County, Lvliang City, Shanxi Province, the PRC;

(iv) in December 2017, the Group completed the acquisition of the 100% equity interest in Nanchang Lvchuan New Energy Limited* from independent third parties for nil consideration, which is principally engaged in the operation of a photovoltaic power plant located in Jiangxi Province, the PRC;

(v) in December 2017, the Group completed the acquisition of the 100% equity interest in Xingyi Zhonghong New Energy Co. Ltd.* from an independent third party for a cash consideration of RMB238,678,000 (equivalent to HK$275,210,000), which is principally engaged in the operation of a photovoltaic power plant located in Guizhou Province, the PRC; and

(vi) in December 2017, the Group completed the acquisition of the 100% equity interests in Ningxia Jinxiulongteng New Energy Co. Ltd.* and its subsidiary from independent third parties for a cash consideration of RMB169,351,000 (equivalent to HK$195,272,000), which are principally engaged in the operation of a photovoltaic power plant located in the Ningxia Hui Autonomous Region, the PRC.

(b) The fair values of the trade and bills receivables, and deposits and other receivables as at the respective dates of acquisitions amounted to HK$218,092,000 (2017: HK$271,760,000) and HK$542,812,000 (2017: HK$360,717,000), respectively.

41. DISPOSAL OF SUBSIDIARIES

	Notes	2018 HK$'000	2017 HK$'000
Property, plant and equipment	14	**452,366**	298,843
Goodwill	17	**–**	18,507
Operating right	19	**–**	16,103
Investment in associates		**–**	4,595
Prepaid land lease payments	16	**66**	23,057
Property under development		**–**	181,382
Inventories		**–**	137
Contract assets		**138,507**	–
Trade and bills receivables		**2,291**	41,658
Prepayments, deposits and other receivables		**212,556**	183,880
Other tax recoverables		**32,796**	33,517
Cash and cash equivalents		**3,741**	86,076
Net assets directly associated with the disposal group	11	**240,723**	–
Trade payables		**(543)**	(975)
Other payables and accruals		**(211,686)**	(718,680)
Interest-bearing bank borrowings		**–**	(112,261)
Deferred tax liabilities	35	**–**	(4,026)
Income tax payables		**–**	(24)
Non-controlling interests		**–**	(36,359)
		870,817	15,430
Exchange fluctuation reserve realised		**(17,767)**	–
Elimination of unrealised gain on disposal of subsidiaries		**61,803**	16,833
Gains on disposal of interests in subsidiaries	5	**69,191**	35,211
		984,044	67,474
Satisfied by:			
Cash consideration		**984,044**	67,474

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Details of the material disposals 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.

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

(iii) In September 2017, pursuant to an equity transfer agreement entered into between the Group and Beijing BE Suyin, a joint venture of the Group, the Group disposed of the entire equity interest in 潤峰電力（鄖西）有限公司 (Runfeng Power (Yunxi) Company Limited*, "Runfeng Yunxi") for a cash consideration of approximately RMB34 million (equivalent to HK$40 million). Runfeng Yunxi is engaged in the operation of a photovoltaic power plant in the PRC.

(iv) 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 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.

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

	2018 **HK$'000**	2017 HK$'000
Cash consideration	**984,044**	67,474
Cash and cash equivalents disposed of	**(3,741)**	(86,076)
Cash and cash equivalents included in net assets directly associated with the disposal group	**(11,983)**	–
Consideration receivables as at year end	**(171,504)**	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**796,816**	(18,602)

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings HK$'000	Finance lease payables HK$'000
At 1 January 2017	4,828,137	2,806,176
Changes from financing cash flows	1,579,517	6,050,239
Refundable security deposits under finance leases	–	206,717
Increase arising from acquisition of subsidiaries (note 40)	34,591	1,584,248
Decrease arising from disposal of subsidiaries (note 41)	(112,261)	–
Foreign exchange movement	200,079	531,243
At 31 December 2017 and 1 January 2018	**6,530,063**	**11,178,623**
Changes from financing cash flows	**1,084,019**	**2,176,278**
Refundable security deposits under finance leases	**–**	**82,901**
Increase arising from acquisition of subsidiaries (note 40)	**46,428**	**2,113,641**
Foreign exchange movement	**(110,343)**	**(859,090)**
At 31 December 2018	**7,550,167**	**14,692,353**

43. CONTINGENT LIABILITIES

At 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

44. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases its office properties, motor vehicles and certain land situated in the PRC under operating lease arrangements with leases negotiated for terms ranging from 9 months to 30 years (2017: 1 to 26 years).

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

	2018 **HK$'000**	2017 HK$'000
Within one year	**59,258**	39,679
In the second to fifth years, inclusive	**176,221**	101,431
After five years	**622,649**	395,910
	858,128	537,020

45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44 above, the Group had the following capital commitments at the end of the reporting period:

	2018 **HK$'000**	2017 HK$'000
Contracted, but not provided for:		
Construction, material and equipment costs for development of clean energy projects	**1,839,241**	2,578,190
Capital contributions to joint ventures	**606,364**	622,897
	2,445,605	3,201,087

46. RELATED PARTY DISCLOSURES

(a) The Group had the following material transactions with related parties during the year ended 31 December 2018:

Name of related group/company	Nature of transactions	Notes	**2018 HK$'000**	2017 HK$'000
BEWG and its subsidiaries	Sales of electricity	(i)	**10,593**	2,543
BEWG	Licence fee	(ii)	**1,541**	1,506
Controlled by BEWG: 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*)	Rental expenses	(ii)	**12,753**	7,875
Associate: 四川金宇汽車城(集團)股份有限公司 (Sichuan Jinyu Automobile City (Group) Co., Ltd.*)	Purchase of goods	(iii)	**294,714**	–

(i) The sales to a related group were made according to the published prices and conditions offered to customers of the Group. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The licence fee and the rental expenses were charged on a mutually-agreed basis. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(iii) The purchase prices of goods were mutually agreed between the parties.

Save as disclosed elsewhere in these financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2018 and 2017.

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

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

2018

Financial assets

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

Financial liabilities

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

47. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2017

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
Available-for-sale investment	–	7,612	7,612
Trade and bills receivables	4,502,025	–	4,502,025
Financial assets included in prepayments, deposits and other receivables	2,046,343	–	2,046,343
Pledged bank deposits	497,340	–	497,340
Cash and cash equivalents	4,772,754	–	4,772,754
Other non-current assets	108,618	–	108,618
	11,927,080	7,612	11,934,692

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	4,631,417
Financial liabilities included in other payables and accruals	3,940,304
Interest-bearing bank and other borrowings	6,530,063
Finance lease payables	11,178,623
Other non-current liabilities	108,104
	26,388,511

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of deposits and other receivables, interest-bearing bank and other borrowings and finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the Directors, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's assets:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial asset designated at fair value through other comprehensive income	–	–	7,205	7,205
Financial assets designated at fair value through profit or loss	–	–	263,124	263,124
	–	–	270,329	270,329

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 for both financial assets and financial liabilities. There were also no transfers into or out of Level 3 for financial liabilities but there were transfers into Level 3 for financial assets (2017: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 31 December 2017.

The movements in fair value measurements within Level 3 during the year are as follows:

	2018 HK$'000
Financial asset designated at fair value through other comprehensive income (2017: Available-for-sale investment) – unlisted equity investment:	
At 1 January	–
Reclassification upon adoption of HKFRS 9	7,612
At 1 January (as restated)	7,612
Exchange realignment	(407)
At 31 December	7,205

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, other payables, interest-bearing bank and other borrowings and finance lease payables. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings and finance lease payables):

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		HK$'000
2018		
HK$	**100**	**(56,480)**
RMB	**100**	**(165,246)**
HK$	**(100)**	**56,480**
RMB	**(100)**	**165,246**
2017		
HK$	100	(41,976)
RMB	100	(134,463)
HK$	(100)	41,976
RMB	(100)	134,463

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant business operations in Mainland China, the consolidated statement of financial position can be affected significantly by movements in the RMB/HK$ exchange rate.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against HK$ may have an impact on the operating results of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in foreign exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2018			
If HK$ weakens against RMB	**1.00**	**19,019**	**109,029**
If HK$ strengthens against RMB	**(1.00)**	**(19,019)**	**(109,029)**
2017			
If HK$ weakens against RMB	1.00	19,982	73,218
If HK$ strengthens against RMB	(1.00)	(19,982)	(73,218)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, contract assets, amounts due from contract customers, trade and bills receivables, and deposits and other receivables balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of contract assets, amounts due from contract customers, trade and bills receivables, and deposits and other receivables as disclosed in notes 26, 27 and 28 to the financial statements, respectively. In addition, the Group reviews the recoverable amount of each individual trade and non-trade debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Financial asset designated at fair value through other comprehensive income	7,205	–	–	–	7,205
Financial assets designated at fair value through profit or loss	263,124	–	–	–	263,124
Trade receivables*	–	–	–	2,683,081	2,683,081
Bills receivable	625,804	–	–	–	625,804
Contract assets*	–	–	–	4,525,549	4,525,549
Financial assets included in prepayments, deposits and other receivables	3,817,701	112,482	–	–	3,930,183
Pledged bank deposits	292,896	–	–	–	292,896
Cash and cash equivalents	2,768,362	–	–	–	2,768,362
Other non-current assets	102,802	–	–	–	102,802
	7,877,894	112,482	–	7,208,630	15,199,006

* For contract assets and trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 26 and 27 to the financial statements, respectively.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2018 (Continued)

The closing loss allowances for trade and bills receivables, contract assets and financial assets included in prepayments, deposits and other receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade and bills receivables 2018 HK$'000	Contract assets 2018 HK$'000	Financial assets included in prepayments, deposits and other receivables 2018 HK$'000	Total 2018 HK$'000
At beginning of year	–	–	–	–
Effect of adoption of HKFRS 9 (note 2.2(b))	11,467	7,205	4,110	22,782
At beginning of year (restated)	11,467	7,205	4,110	22,782
Impairment loss, net (note 6)	8,195	17,465	10,168	35,828
Exchange realignment	(373)	(793)	(462)	(1,628)
At end of year	19,289	23,877	13,816	56,982

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables and amounts due from a joint venture and associates, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk as 2% (2017: 5%) and 12% (2017: 14%) of the Group's trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through cash receipts from receivables, the issue of new shares and a perpetual capital instrument, and the raising of bank loans and finance leases to cover expected cash demands, as well as the strict control over its daily operating expenses. Accordingly, the Group expects to have adequate sources of funding to finance the Group's operations and manage its liquidity position.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	3-4 years HK$'000	4-5 years HK$'000	Beyond 5 years HK$'000	Total HK$'000
2018								
Trade and bills payables	**–**	**4,375,776**	**–**	**–**	**–**	**–**	**–**	**4,375,776**
Other payables	**–**	**4,553,601**	**–**	**–**	**–**	**–**	**–**	**4,553,601**
Interest-bearing bank and other borrowings	**–**	**1,548,028**	**2,663,961**	**1,582,283**	**889,604**	**208,682**	**833,184**	**7,725,742**
Finance lease payables	**–**	**2,311,689**	**3,590,667**	**2,640,928**	**2,248,209**	**2,166,941**	**5,293,293**	**18,251,727**
	–	**12,789,094**	**6,254,628**	**4,223,211**	**3,137,813**	**2,375,623**	**6,126,477**	**34,906,846**
2017								
Trade and bills payables	–	4,631,417	–	–	–	–	–	4,631,417
Other payables	–	3,940,304	–	–	–	–	–	3,940,304
Interest-bearing bank and other borrowings	450,000	1,107,100	1,511,793	2,738,169	232,187	223,378	1,020,318	7,282,945
Finance lease payables	–	2,021,350	1,695,026	3,115,423	1,461,418	1,331,431	4,322,735	13,947,383
	450,000	11,700,171	3,206,819	5,853,592	1,693,605	1,554,809	5,343,053	29,802,049

The exposure of the Group's financial guarantee contracts in relation to interests in joint ventures and the financial asset at fair value through other comprehensive income/available-for-sale investment is disclosed in notes 21 and 24 to the financial statements, respectively.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares to increase capital or sell assets to reduce debt.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using the net gearing ratio, which is calculated by dividing net debt by the sum of net debt and total equity. Net debt is calculated as total interest-bearing bank and other borrowings and finance lease payables (as shown in the consolidated statement of financial position) less cash and cash equivalents. The net gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 HK$'000	2017 HK$'000
Interest-bearing bank and other borrowings	**7,550,167**	6,530,063
Finance lease payables	**14,692,353**	11,178,623
Less: Cash and cash equivalents	**(2,768,362)**	(4,772,754)
Net debt	**19,474,158**	12,935,932
Total equity	**10,875,407**	9,004,029
Net debt and total equity	**30,349,565**	21,939,961
Net gearing ratio	**64%**	59%

50. 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.

51. COMPARATIVE AMOUNTS

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

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018	2017
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**508**	749
Interests in subsidiaries	**5,287,776**	4,394,464
Investment in a joint venture	**24,922**	–
Total non-current assets	**5,313,206**	4,395,213
CURRENT ASSETS		
Prepayments, deposits and other receivables	**7,031,037**	4,533,287
Cash and cash equivalents	**365,010**	1,173,846
Total current assets	**7,396,047**	5,707,133
CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,194,669**	628,000
Other payables and accruals	**165,029**	7,404
Total current liabilities	**1,359,698**	635,404
NET CURRENT ASSETS	**6,036,349**	5,071,729
TOTAL ASSETS LESS CURRENT LIABILITIES	**11,349,555**	9,466,942
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**4,453,364**	3,569,594
Net assets	**6,896,191**	5,897,348
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**63,525**	63,525
Perpetual capital instrument (note)	**1,137,776**	–
Reserves (note)	**5,694,890**	5,833,823
Total equity	**6,896,191**	5,897,348

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's perpetual capital instrument and reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Special reserves HK$'000	Accumulated losses HK$'000	Perpetual capital instrument HK$'000	Total HK$'000
At 1 January 2017	4,060,366	–	2,799	(222,585)	–	3,840,580
Profit and total comprehensive income for the year	–	–	–	121,657	–	121,657
Issue of new ordinary shares upon completion of the Open Offer (note 36(c))	1,320,404	–	–	–	–	1,320,404
Issue of new convertible preference shares (note 36(b))	370,496	–	–	–	–	370,496
Issue of new ordinary shares for acquisition of investment properties (note 36(d))	174,029	–	–	–	–	174,029
Equity-settled share option arrangements (note 37)	–	6,657	–	–	–	6,657
At 31 December 2017 and 1 January 2018	**5,925,295**	**6,657**	**2,799**	**(100,928)**	**–**	**5,833,823**
Issuance of a perpetual capital instrument (note 39)	**–**	**–**	**–**	**–**	**1,131,315**	**1,131,315**
Loss and total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(162,075)**	**6,461**	**(155,614)**
Equity-settled share option arrangements (note 37)	**–**	**23,142**	**–**	**–**	**–**	**23,142**
At 31 December 2018	**5,925,295**	**29,799**	**2,799**	**(263,003)**	**1,137,776**	**6,832,666**

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

53. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 26 March 2019.

* *For identification purposes only*

Five-Year Financial Summary

Year ended 31 December 2018

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

RESULTS

	Years ended 31 December				
	2018	2017	2016	2015	2014 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**6,980,270**	10,039,549	2,890,176	288,930	209,426
PROFIT BEFORE TAX	**1,537,580**	1,862,233	666,485	65,963	46,024
Income tax expense	**(159,624)**	(285,907)	(137,238)	(27,471)	(17,255)
PROFIT FOR THE YEAR	**1,377,956**	1,576,326	529,247	38,492	28,769
Attributable to equity holders of the Company	**1,268,645**	1,560,348	505,101	38,492	28,769

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**43,408,150**	35,995,682	17,578,615	2,779,419	401,638
Total liabilities	**(32,532,743)**	(26,991,653)	(13,093,739)	(660,912)	(144,313)
	10,875,407	9,004,029	4,484,876	2,118,507	257,325

The summary of the consolidated results and of the assets and liabilities of the Group (i) for the last five financial years has been extracted from the published audited financial statements of the Company; and (ii) for the year ended 31 December 2014 has also been adjusted for the change of presentation currency.