江山控股
KongSun Holdings

KONG SUN HOLDINGS LIMITED
江山控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 295)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "Board") of directors (the "Directors") of Kong Sun Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020
(Expressed in Renminbi unless otherwise stated)

		Six months ended 30 June	
	Notes	**2020** *RMB'000* **(Unaudited)**	2019 *RMB'000* (Unaudited)
Revenue	*3*	**774,250**	1,156,690
Cost of sales		**(285,808)**	(551,229)
Gross profit		**488,442**	605,461
Other gains and losses	*4*	**(5,126)**	19,352
Administrative expenses		**(113,765)**	(177,627)
(Loss)/gain on disposal of subsidiaries, net		**(4,613)**	37,488
Impairment loss on a disposal group classified as held for sale		**–**	(98,388)
Finance costs	*5*	**(394,885)**	(431,828)
Share of profit/(loss) of associates		**2,634**	(196)
Share of profit of a joint venture		**–**	12,309
Loss before income tax	*6*	**(27,313)**	(33,429)
Income tax expense	*7*	**(6,174)**	(7,480)
Loss for the period		**(33,487)**	(40,909)

	Note	Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(33,733)**	(41,617)
Non-controlling interests		**246**	708
		(33,487)	(40,909)
Loss per share attributable to owners of the Company for the period	*8*		
Basic (RMB cents)		**(0.23)**	(0.28)
Diluted (RMB cents)		**(0.23)**	(0.28)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

(Expressed in Renminbi unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(33,487)**	(40,909)
Other comprehensive income, net of tax		
Item that will not be reclassified to profit or loss:		
Fair value changes in financial assets measured at fair value through other comprehensive income, net	**(132,450)**	(362,695)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**1,190**	(2,001)
Other comprehensive income for the period, net of tax	**(131,260)**	(364,696)
Total comprehensive income for the period	**(164,747)**	(405,605)
Total comprehensive income attributable to:		
Owners of the Company	**(164,993)**	(406,313)
Non-controlling interests	**246**	708
	(164,747)	(405,605)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020
(Expressed in Renminbi unless otherwise stated)

	Note	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**30,080**	36,959
Solar power plants		**8,414,251**	8,747,485
Interests in associates		**229,325**	226,691
Goodwill		**96,930**	96,930
Right-of-use assets		**397,546**	409,133
Financial assets measured at fair value through other comprehensive income		**1,327,070**	1,729,091
Deferred tax assets		**4,048**	4,250
		10,499,250	11,250,539
Current assets			
Financial assets measured at fair value through profit or loss		**19,936**	28,198
Inventories		**1,625**	1,222
Trade, bills and other receivables	*10*	**5,253,400**	4,292,131
Structured bank deposits		**24,230**	4,230
Cash and cash equivalents		**181,936**	194,156
		5,481,127	4,519,937
Assets of a disposal group classified as held for sale		**–**	2,901,609
Total current assets		**5,481,127**	7,421,546

	Notes	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Current liabilities			
Trade and other payables	*11*	**1,276,715**	1,669,254
Lease liabilities		**50,631**	23,247
Loans and borrowings		**957,533**	1,370,428
Corporate bonds		**109,128**	8,063
Tax payable		**4,221**	5,278
		2,398,228	3,076,270
Liabilities of a disposal group classified as held for sale		**–**	1,333,322
Total current liabilities		**2,398,228**	4,409,592
Net current assets		**3,082,899**	3,011,954
Total assets less current liabilities		**13,582,149**	14,262,493
Non-current liabilities			
Lease liabilities		**191,639**	191,083
Loans and borrowings		**7,875,044**	8,299,649
Corporate bonds		**184,384**	278,462
		8,251,067	8,769,194
NET ASSETS		**5,331,082**	5,493,299
CAPITAL AND RESERVES			
Share capital	*12*	**6,486,588**	6,486,588
Reserves		**(1,238,230)**	(1,075,767)
Equity attributable to owners of the Company		**5,248,358**	5,410,821
Non-controlling interests		**82,724**	82,478
TOTAL EQUITY		**5,331,082**	5,493,299

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issued on 25 August 2020.

The financial information relating to the financial year ended 31 December 2019 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) of the Laws of Hong Kong (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6, to the Companies Ordinance.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim financial information contains the condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

These condensed consolidated interim financial information are unaudited and have not been reviewed by the auditors, but have been reviewed by the audit committee of the Company ("Audit Committee") and approved and authorised for issue by the Board on 25 August 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost convention except for certain financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss which are stated at fair values.

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the financial statements contained in the 2019 annual report except for the adoption of the new standards, amendments or interpretations issued by the HKICPA which are mandatory for the annual periods beginning on or after 1 January 2020.

For the six months ended 30 June 2020, the Group have applied the following new and amendments to HKFRS issued by the HKICPA which were effective for the annual periods beginning on or after 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The adoption of the above new effective interpretation and the amendments to existing standards did not have any material impact to the Group's accounting policies or financial results.

3. REVENUE

Revenue mainly represents income from sales of electricity (including renewable energy subsidies), income from provision of solar power plant operation and maintenance services, interest income generated from provision of financial services and trading of liquefied natural gas ("LNG"). The amount of each significant category of revenue during the period is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of electricity	**734,915**	908,475
Trading of LNG	**12,590**	230,020
Provision of solar power plant operation and maintenance services	**13,044**	545
Interest income generated from provision of financial services	**13,701**	17,650
	774,250	1,156,690

During the six months ended 30 June 2020, sales of electricity includes renewable energy subsidies amounted to approximately RMB466,356,000 (six months ended 30 June 2019: RMB576,556,000).

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**425**	889
Dividend income	**8,712**	10,890
Net foreign exchange loss	**(3,137)**	(2,454)
Net unrealised loss on fair value changes on financial assets measured at fair value through profit or loss	**(8,746)**	(6,011)
Net realised loss on disposal of financial assets measured at fair value through profit or loss	**–**	(1,154)
Properties rental income	**–**	13,656
Government allowance	**–**	3,576
Others	**(2,380)**	(40)
	(5,126)	19,352

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on loans and borrowings	**370,889**	420,196
Imputed interest on corporate bonds	**15,002**	12,607
Interest on lease liabilities	**8,994**	9,297
Total interest expense on financial liabilities not at fair value through profit or loss	**394,885**	442,100
Less: interest expense capitalised into solar power plants under construction#	**–**	(10,272)
	394,885	431,828

\# For the six months ended 30 June 2020, no borrowing cost has been capitalised (six months ended 30 June 2019: capitalised at a rate of approximately 7%) per annum.

6. LOSS BEFORE INCOME TAX

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

A. Employee benefit expenses (including directors' emoluments)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**75,732**	93,294
Contributions to defined contribution retirement plan	**5,165**	11,544
Equity-settled share-based payment expenses	**2,530**	6,801
	83,427	111,639

B. Other items

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortization of right-of-use assets	**17,552**	14,327
Auditor's remuneration	**47**	284
Cost of inventories	**12,531**	229,218
Depreciation		
— Property, plant and equipment	**3,606**	3,902
— Solar power plants	**205,054**	251,753
Operating lease expenses in respect of short-term leases	**8,558**	17,179

7. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
— PRC corporate income tax	**5,972**	4,157
Deferred tax	**202**	3,323
	6,174	7,480

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the six months ended 30 June 2020 and 2019.

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

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD

The calculation of basic and diluted loss per share for the six months ended 30 June 2020 is based on loss attributable to owners of the Company for the period of approximately RMB33,733,000 (six months ended 30 June 2019: RMB41,617,000) and on the weighted average number of approximately 14,964,442,000 (six months ended 30 June 2019: 14,964,442,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2020 and 2019 was the same as basic loss per share because the impact of the exercise of share options was anti-dilutive.

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2020 nor has any dividend been proposed since the end of the reporting period up to the date of this announcement (six months ended 30 June 2019: Nil).

10. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade receivables	**3,073,844**	2,632,800
Bills receivables	**14,212**	124,822
Impairment provision for trade receivables	**(25,018)**	(24,618)
Trade and bills receivables, net *(note (i))*	**3,063,038**	2,733,004
Other receivables, prepayments and deposits	**2,258,708**	1,629,802
Impairment provision for other receivables	**(68,346)**	(70,675)
Other receivables, prepayments and deposits, net	**2,190,362**	1,559,127
	5,253,400	4,292,131

Aging analysis of net trade and bills receivables, based on invoice dates, are as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Current or less than 3 months	**467,236**	650,526
Over 3 months but less than 6 months	**229,588**	261,127
Over 6 months but less than 12 months	**519,181**	430,605
Over 12 months but less than 24 months	**918,696**	808,365
Over 24 months	**928,337**	582,381
	3,063,038	2,733,004

Movements in provision for impairment of trade and other receivables for the six months ended 30 June 2020 are as follows:

	Trade receivables RMB'000 (Unaudited)	Other receivables RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2020	24,618	70,675	95,293
Impairment provision during the period	400	–	400
Written off as uncollectible during the period	–	(2,329)	(2,329)
At 30 June 2020	25,018	68,346	93,364

Notes:

(i) The Group's trade receivables are mainly receivables from sales of electricity. The bills receivables represented outstanding commercial acceptance bills. Generally, the receivables are due within 30 to 180 days as at 30 June 2020 (31 December 2019: 30 to 180 days) from the date of billing, except for renewable energy subsidies.

Renewable energy subsidies receivables represent PRC government subsidies on solar power plants to be received from the State Grid Company based on the respective electricity sale and purchase agreements for each of the solar power plants and the prevailing nationwide government policies. As at 30 June 2020, the outstanding renewable energy subsidies amounted to approximately RMB2,676,605,000 (31 December 2019: RMB2,255,057,000).

(ii) As at 30 June 2020, certain trade receivables arising from the sales of electricity amounting to approximately RMB2,354,035,000 (31 December 2019: RMB2,029,478,000) were pledged as securities for the Group's loans and borrowings.

11. TRADE AND OTHER PAYABLES

	At 30 June 2020 *RMB'000* **(Unaudited)**	At 31 December 2019 *RMB'000* (Audited)
Trade payables	**702,081**	1,042,309
Other payables and accruals	**574,634**	626,945
	1,276,715	1,669,254

Aging analysis of trade payables, based on the invoice date, are as follows:

	At 30 June 2020 *RMB'000* **(Unaudited)**	At 31 December 2019 *RMB'000* (Audited)
Current or less than 3 months	**13,628**	347,799
Over 3 months but less than 6 months	**17,107**	11,669
Over 6 months but less than 12 months	**82,494**	117,111
Over 12 months	**588,852**	565,730
	702,081	1,042,309

Retention payable amounting to approximately RMB40,879,000 (31 December 2019: RMB311,768,000), which are included in trade and other payables, will be settled after more than one year. All other trade and other payables are expected to be settled within one year or are repayable on demand.

12. SHARE CAPITAL

	Number of shares *'000*	*RMB'000*
Issued and fully paid:		
At 1 January 2019, 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	14,964,442	6,486,588

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company with its subsidiaries mainly engaged in the investment in and the operation of solar power plants, provision of solar power plant operation and maintenance services, provision of financial services, trading of liquefied natural gas and asset management.

SOLAR POWER PLANTS BUSINESS

During the six months ended 30 June 2020, the Group continued its investment in and development of solar power plants in the People's Republic of China (the "PRC"). As at 30 June 2020, the Group had a total of 1,278.8 MW completed solar power plants as follows:

Completed solar power plants

PRC Province	Number of solar power plants as at 30 June 2020	Capacity of solar power plants
Xinjiang	7	140.0 MW
Gansu	6	189.0 MW
Shaanxi	6	490.0 MW
Inner Mongolia	1	10.0 MW
Shanxi	1	20.0 MW
Hebei	3	80.0 MW
Henan	2	120.0 MW
Shandong	2	40.0 MW
Anhui	4	120.0 MW
Zhejiang	1	19.8 MW
Hubei	1	30.0 MW
Qinghai	1	20.0 MW
Total	**35**	**1,278.8 MW**

As at 30 June 2020, the Group had the following wholly-owned ground-mounted solar power plants under construction:

Solar power plants under construction

PRC Province	**Number of solar power plants as at 30 June 2020**	**Capacity of solar power plants**
Shandong	1	50.0 MW
Anhui	1	20.0 MW
Total	**2**	**70.0 MW**

PROVISION OF FINANCIAL SERVICES

The revenue arising from the provision of financial services decreased by approximately 22.4% from approximately RMB17,650,000 for the six months ended 30 June 2019 to approximately RMB13,701,000 for the six months ended 30 June 2020.

TRADING OF LIQUEFIED NATURAL GAS

The revenue arising from the trading of liquefied natural gas decreased significantly by approximately 94.5% from approximately RMB230,020,000 for the six months ended 30 June 2019 to approximately RMB12,590,000 for the six months ended 30 June 2020. The decrease is mainly due to city lockdowns and suspension of work, production and transportation in most regions in the PRC due to the outbreak of the novel coronavirus pneumonia starting in late January 2020.

SECURITIES INVESTMENT

As at 30 June 2020, the Group managed a portfolio of investments in capital market with fair value of approximately RMB19,936,000 (31 December 2019: RMB28,198,000). As at 30 June 2020 and 31 December 2019, the portfolio of investments managed by the Group consists of investment in one listed equity in Hong Kong. The Group will remain watchful on market developments and will continue to be prudent in managing its investment with a continuing focus on improving overall assets quality. For the six months ended 30 June 2020, the Group had recorded an unrealised loss on fair value changes of financial assets measured at fair value through profit or loss which amounted to approximately RMB8,746,000 (six months ended 30 June 2019: RMB6,011,000). During the six months ended 30 June 2020, the Group did not dispose any of its listed equity investment. During the six months ended 30 June 2019, the Group disposed of approximately 49.0% of its listed equity investment in Hong Kong at a cash consideration of approximately RMB38,838,000 and resulting in a net realised loss on disposal on financial assets measured at fair value through profit or loss amounted to approximately RMB1,154,000. For further details, please refer to the paragraph headed "Results of Operations — Financial Assets Measured at Fair Value through Profit or Loss" in this announcement.

RESULTS OF OPERATIONS

Revenue

The revenue of the Group decreased by approximately 33.1% from approximately RMB1,156,690,000 for the six months ended 30 June 2019 to approximately RMB774,250,000 for the six months ended 30 June 2020. The decrease was due to the decrease in revenue from sales of electricity and trading of liquefied natural gas during the period.

Revenue from Sales of Electricity and Provision of Solar Power Plant Operation and Maintenance Services

The Group's revenue from sales of electricity decreased by approximately 19.1% from approximately RMB908,475,000 for the six months ended 30 June 2019 to approximately RMB734,915,000 for the six months ended 30 June 2020. As at 30 June 2020, the Group had a total of 1,278.8 MW (31 December 2019: 1,629.3 MW) installed capacity of solar power plants. The solar power plants owned by the Group have generated electricity in an aggregate volume of approximately 983,265 megawatt-hour ("MWh") for the six months ended 30 June 2020, representing a decrease of approximately 14.7% as compared to approximately 1,152,288 MWh for the six months ended 30 June 2019.

The Group's revenue from provision of solar power plant operation and maintenance services increased by approximately 2,293.4% from approximately RMB545,000 for the six months ended 30 June 2019 to approximately RMB13,044,000 for the six months ended 30 June 2020.

Revenue from Provision of Financial Services

The Group's revenue arising from the provision of financial services decreased by approximately 22.4% from approximately RMB17,650,000 for the six months ended 30 June 2019 to approximately RMB13,701,000 for the six months ended 30 June 2020.

Revenue from Trading of Liquefied Natural Gas

The Group's revenue arising from the trading of liquefied natural gas decreased significantly by approximately 94.5% from approximately RMB230,020,000 for the six months ended 30 June 2019 to approximately RMB12,590,000 for the six months ended 30 June 2020. The decrease is mainly due to city lockdowns and suspension of work, production and transportation in most regions in the PRC due to the outbreak of the novel coronavirus pneumonia starting in late January 2020.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately 19.3% from approximately RMB605,461,000 for the six months ended 30 June 2019 to approximately RMB488,442,000 for the six months ended 30 June 2020. The gross profit margin of the Group increased from approximately 52.3% for the six months ended 30 June 2019 to approximately 63.1% for the six months ended 30 June 2020 mainly due to decrease in revenue from trading of liquefied natural gas, which has a lower gross profit margin than the business segment of solar power plants.

Other Gains and Losses

The Group recorded other losses of approximately RMB5,126,000 (six months ended 30 June 2019: other gains of approximately RMB19,352,000) for the six months ended 30 June 2020. The change was mainly due to (i) the decrease in office sublease income of approximately RMB13,656,000; and (ii) the decrease in government allowances of approximately RMB3,576,000.

Administrative Expenses

Administrative expenses of the Group decreased by approximately 36.0% from approximately RMB177,627,000 for the six months ended 30 June 2019 to approximately RMB113,765,000 for the six months ended 30 June 2020. The decrease was mainly attributable to (i) the decrease in employee benefit expenses (including directors' emoluments) amounted to approximately RMB37,945,000 as a result of the decrease in number of head count of high grade employee of the Group during the six months ended 30 June 2020; and (ii) the decrease in operating lease expenses in respect of short-term leases of approximately RMB8,621,000.

(Loss)/Gain on Disposal of Subsidiaries, Net

During the six months ended 30 June 2020, the Group disposed of ten subsidiaries, and recorded net loss on such disposals of approximately RMB4,613,000 (six months ended 30 June 2019: gain of approximately RMB37,488,000).

Impairment loss on a disposal group classified as held for sale

On 29 April 2019, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest in 湖州祥暉光伏發電有限公司 (Huzhou Xianghui Solar Power Co., Ltd.*) ("Huzhou Xianghui") for a total consideration of approximately RMB413,213,000. An impairment loss of approximately RMB98,388,000, representing the sale proceeds less the carrying amount of the net assets of Huzhou Xianghui as at 30 June 2019, was charged to profit or loss during the six months ended 30 June 2019. No such amount was recorded for the six months ended 30 June 2020.

Finance Costs

Finance costs of the Group decreased by approximately 8.6% from approximately RMB431,828,000 for the six months ended 30 June 2019 to approximately RMB394,885,000 for the six months ended 30 June 2020. As the Group's total loans and borrowings decreased as compared to the corresponding period last year, the finance costs related to these borrowings also decreased.

Solar Power Plants

As at 30 June 2020, the Group had a net carrying value of approximately RMB8,293,403,000 (31 December 2019: RMB8,626,215,000) and approximately RMB120,848,000 (31 December 2019: RMB121,270,000) in completed solar power plants and solar power plants under construction, respectively. During the six months ended 30 June 2020, the Group successfully completed the disposals of solar power plants in ten subsidiaries with total installed capacity of 350.5 MW. As at 30 June 2020, the Group had a total of 1,278.8 MW (31 December 2019: 1,629.3 MW) installed capacity of completed solar power plants.

Interest in associates

As at 30 June 2020, the net carrying amount of associates was approximately RMB229,325,000 (31 December 2019: RMB226,691,000).

The Group executed a guarantee with respect to a loan of approximately RMB12,947,000 (31 December 2019: RMB44,621,000) granted by independent third parties to 江山寶源國際融資租賃有限公司 (Kong Sun Baoyuan International Financial Leasing Limited*) ("Kong Sun Baoyuan") as at 30 June 2020, under which the Group is liable to pay the proportionate share if the independent third parties are unable to recover the loan from Kong Sun Baoyuan.

Goodwill

As at 30 June 2020, the Group had a total amount of approximately RMB96,930,000 (31 December 2019: RMB96,930,000) in respect of goodwill on the previous acquisitions of subsidiaries.

Right-of-use Assets and Lease Liabilities

As at 30 June 2020, the right-of-use assets and lease liabilities amounted to approximately RMB397,546,000 (31 December 2019: RMB409,133,000) and approximately RMB242,270,000 (31 December 2019: RMB214,330,000).

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income decreased by approximately 23.3% from approximately RMB1,729,091,000 as at 31 December 2019 to approximately RMB1,327,070,000 as at 30 June 2020. The decrease is mainly due to (i) fair value loss on the unlisted equity investments of approximately RMB132,450,000; and (ii) the decrease in investment of 蘇州君盛晶石股權投資合夥企業(有限合夥) (Suzhou Junsheng Jingshi Equity Investment Partnership (Limited Partnership)*) amounted to RMB270,000,000. The investments are held for long-term investment purpose and hence are classified as financial assets measured at fair value through other comprehensive income in the condensed consolidated statement of financial position.

Financial Assets Measured at Fair Value through Profit or Loss

As at 30 June 2020, the Group had financial assets measured at fair value through profit or loss with market value of approximately RMB19,936,000 (31 December 2019: RMB28,198,000), representing approximately 0.1% (31 December 2019: 0.2%) of the total assets of the Group as at 30 June 2020. As at 30 June 2020 and 31 December 2019, the portfolio of investments managed by the Group consists of investment in one listed equity in Hong Kong. The Group held approximately 0.8% (31 December 2019: 0.8%) shareholding in the equity listed in Hong Kong as at 30 June 2020. During the six months ended 30 June 2020, the Group had recorded an unrealised loss on fair value changes of financial assets measured at fair value through profit or loss which amounted to approximately RMB8,746,000 (six months ended 30 June 2019: RMB6,011,000). During the six months ended 30 June 2020, the Group did not dispose any of its listed equity investment. During the six months ended 30 June 2019, the Group disposed of approximately 49.0% of its listed equity investment in Hong Kong at a cash consideration of approximately RMB38,838,000 and resulting in a net realised loss on disposal on financial assets measured at fair value through profit or loss amounted to approximately RMB1,154,000.

Trade, Bills and Other Receivables

Trade, bills and other receivables increased by approximately 22.4% from approximately RMB4,292,131,000 as at 31 December 2019 to approximately RMB5,253,400,000 as at 30 June 2020. The increase was mainly due to an increase in trade and bills receivables by approximately 12.1% from approximately RMB2,733,004,000 as at 31 December 2019 to approximately RMB3,063,038,000 as at 30 June 2020 and increase in other receivables upon the disposals of ten subsidiaries during the six months ended 30 June 2020.

Structured bank deposits

As at 30 June 2020, the Group placed approximately RMB24,230,000 (31 December 2019: RMB4,230,000) structured bank deposits with a bank in the PRC to earn a guaranteed and capital-protected return by making good use of the idle cash of the Group.

Trade and Other Payables

Trade and other payables decreased by approximately 23.5% from approximately RMB1,669,254,000 as at 31 December 2019 to approximately RMB1,276,715,000 as at 30 June 2020. The balance mainly comprised payables to suppliers of solar modules and equipment and Engineering Procurement Construction ("EPC") contractors for purchase of solar modules and equipment and construction costs of solar power plants. Due to settlement of construction costs after the completion of substantial solar power plants construction work during the six months ended 30 June 2020, trade payables, which was mainly related to construction costs of solar power plants, have decreased by approximately 32.6% from approximately RMB1,042,309,000 as at 31 December 2019 to approximately RMB702,081,000 as at 30 June 2020.

Liquidity and Capital Resources

As at 30 June 2020, cash and cash equivalents of the Group was approximately RMB181,936,000 (31 December 2019: RMB194,156,000), which included an amount of bank balances of approximately RMB177,888,000 (31 December 2019: RMB190,959,000) denominated in RMB placed with banks in the PRC. The remaining balance of the Group's cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily denominated in Hong Kong dollar and placed with banks in Hong Kong.

As at 30 June 2020, the Group's net debt ratio, which was calculated by the total loans and other borrowings and corporate bonds minus total cash and cash equivalents and structured bank deposits, over total equity, was approximately 1.67 (31 December 2019: 1.78).

Capital Expenditure

During the six months ended 30 June 2020, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB3,221,000 (six months ended 30 June 2019: RMB3,516,000) and approximately RMB5,671,000 (six months ended 30 June 2019: RMB30,794,000), respectively.

Loans and Borrowings

As at 30 June 2020, the Group's total loans and borrowings was approximately RMB8,832,577,000, representing a decrease of approximately 8.7% as compared to approximately RMB9,670,077,000 as at 31 December 2019. All loans and borrowings of the Group were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC. As at 30 June 2020, loans and borrowings of approximately RMB4,516,577,000 (31 December 2019: RMB5,033,500,000) and approximately RMB4,316,000,000 (31 December 2019: RMB4,636,577,000) bear fixed interest rate and floating interest rate, respectively.

As at 30 June 2020, out of the total borrowings, approximately RMB957,533,000 (31 December 2019: RMB1,370,428,000) was repayable within one year and approximately RMB7,875,044,000 (31 December 2019: RMB8,299,649,000) was repayable after one year.

Corporate Bonds

As at 30 June 2020, corporate bonds denominated in Hong Kong dollar with an aggregate principal amount of HK$338,500,000 (equivalent to approximately RMB309,199,000) (31 December 2019: HK$343,500,000 (equivalent to approximately RMB307,700,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 7% (31 December 2019: 3% to 7%) per annum, and will mature on the date immediately following 6 to 96 months (31 December 2019: 6 to 96 months) after their issuance.

During the six months ended 30 June 2020, the Group did not issue any corporate bonds.

During the six months ended 30 June 2019, the Group issued corporate bonds with an aggregate principal amount of HK$44,000,000 (equivalent to approximately RMB38,705,000) to certain independent third parties, the net proceeds of the issued corporate bonds received by the Company were approximately HK$38,909,000 (equivalent to approximately RMB34,227,000), with total issue cost amounting to approximately HK$5,091,000 (equivalent to approximately RMB4,478,000).

During the six months ended 30 June 2020, the Group repaid HK$5,000,000 (equivalent to approximately RMB4,567,000) (six months ended 30 June 2019: HK$61,500,000 (equivalent to approximately RMB54,099,000)) in aggregate principal amount of the corporate bonds.

The corporate bonds are measured at amortised cost using effective interest method by applying an effective interest rate ranging from 10.40% to 14.56% (six months ended 30 June 2019: 10.24% to 14.56%) per annum. Imputed interest of approximately HK$16,558,000 (equivalent to approximately RMB15,002,000) (six months ended 30 June 2019: HK$14,710,000 (equivalent to approximately RMB12,607,000)) (note 5 to the "Notes to the Condensed Consolidated Interim Financial Statements" of this announcement) in respect of the corporate bonds was recognised in profit or loss during the six months ended 30 June 2020.

Foreign Exchange Rate Risk

The Group primarily operates its business in the PRC and during the six months ended 30 June 2020, the Group's revenue were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Directors expect that any future exchange rate fluctuation will not have any material effect on the Group's business. The Group did not use any financial instruments for hedging purposes, but will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on Assets

As at 30 June 2020, the Group had charged solar power plants, trade receivables, right-of-use assets and unlisted equity investments with net book value of approximately RMB6,530,898,000 (31 December 2019: RMB6,413,341,000), approximately RMB2,354,035,000 (31 December 2019: RMB2,029,478,000), approximately RMB2,738,000 (31 December 2019: RMB756,000) and approximately RMB356,000,000 (31 December 2019: RMB438,840,000), respectively, to secure bank loans and other loans facilities granted to the Group.

Save as disclosed above, during the six months ended 30 June 2020, the Group has no other charges on assets.

LITIGATION

On 21 April 2020, Kong Sun Yongtai Investment Holdings Limited* (江山永泰投資控股有限公司) ("Kong Sun Yongtai"), a wholly-owned subsidiary of the Company, received a notice to respond to action* (應訴通知書) from Beijing No. 1 Intermediated People's Court* (北京市第一中級人民法院) (the "Court") regarding the dispute (the "Dispute") among Beijing Sifang Jibao Projects Technology Co., Ltd.* (北京四方繼保工程技術有限公司) ("Beijing Sifang") as plaintiff and Zhongke Hengyuan Technology Co., Ltd.* (中科恒源科技股份有限公司) ("Zhongke"), Inner Mongolia Zhongke Hengyuan Energy Technology Co., Ltd.* (內蒙古中科恒源能源科技有限公司) (the "Inner Mongolia Zhongke") and Kong Sun Yongtai as defendants. Beijing Sifang filed claims to the Court for demanding Zhongke to repay the outstanding equipment purchase price in the amount of approximately RMB52,900,000 and the aggregate liquidated damages in the amount of approximately RMB20,900,000, Inner Mongolia Zhongke to sell its land under the land mortgage agreement dated in April 2019 entered into by and among Beijing Sifang, Zhongke and Inner Mongolia Zhongke (the "Land Mortgage Agreement") for the repayment of the aforesaid amount and Kong Sun Yongtai to undertake the joint liabilities under the guarantee agreements dated in August 2016 entered into by and among Beijing Sifang, Zhongke and Kong Sun Yongtai (the "Guarantee Agreements").

The Dispute was related to the performance of certain agreements dated in August 2016 entered into between Zhongke and Beijing Sifang in relation to the purchase of the solar cell module of 31.8MW at the consideration of approximately RMB104,843,000. The land mortgage value of approximately RMB53,700,000 as indicated in the Land Mortgage Agreement was higher than the outstanding equipment purchase price due to Beijing Sifang in the amount of approximately RMB52,900,000. In March 2020, Beijing Sifang obtained the Court order to freeze the account receivables of Zhongke for up to approximately RMB74,036,000, which exceeded the outstanding equipment purchase price in the amount of approximately RMB52,900,000 and the aggregate liquidated damages in the amount of approximately RMB20,900,000 claimed by Beijing Sifang. Details of the Dispute can be referenced to the announcements of the Company dated 29 April 2020 and 21 May 2020.

In the event that the Court decides that Kong Sun Yongtai should be liable for the guarantee obligation under the Guarantee Agreements, Kong Sun Yongtai is entitled to recover its losses from Zhongke and Inner Mongolia Zhongke. As Beijing Sifang did not agree to terminate the Guarantee Agreements, Kong Sun Yongtai has urged Zhongke to perform its payment obligation and actively discuss with Inner Mongolia Zhongke and Beijing Sifang to resolve the Dispute. As at the date of this announcement, Kong Sun Yongtai is seeking legal advice with respect to the Dispute. A hearing of the Dispute took place on 11 August 2020 whereby the parties exchanged the evidence. The Court will consider the evidence adduced by the parties and there is no judgment of the case yet. The Company will make further announcement(s) to inform the shareholders of the Company the latest progress with respect to the Dispute as and when appropriate.

Contingent Liabilities

The Group acquired equity interests of certain subsidiaries principally engaged in the development of solar power plant projects and the applications for the development of these solar power plant projects were actually made by their former shareholders. According to certain notices (the "Notices") issued by the State Energy Administration (國家能源局), the Notices prohibit the original applicants who have obtained the approval documents from the government authorities for the solar power plant projects from transferring the equity interests of solar power plant projects before such solar power plants were connected to the power grid. Given that the Group has obtained the preliminary approval from respective relevant government authorities to continue with the development of the solar power plants, the possibility for these subsidiaries to be fined or to face other adverse consequences imposed by the relevant government authorities is remote. Accordingly, the Directors consider there is no significant impact on the Group's control over these subsidiaries and the development of these solar power plants.

In August 2016, Kong Sun Yongtai entered into the Guarantee Agreements for an amount of approximately RMB210,017,000 in favour of Beijing Sifang with respect to the obligations of Zhongke under certain purchase agreements. In the event that Zhongke failed to perform its payment obligations under the equipment purchase agreements and the Group was held liable for the guarantee obligations, the Group was entitled to recover its loss in full from Zhongke and Inner Mongolia Zhongke. As at 30 June 2020 and the date of this announcement, the trial of the Dispute has not yet commenced and no judgement has been made on the part of Kong Sun Yongtai in relation to its obligations under the Guarantee Agreements. The Directors consider that the guarantee amount does not have any material impact on the Group's financial position and it is not probable that actual loss will be occurred in view of the undertakings and counter guarantee agreement provided by Zhongke and Inner Mongolia Zhongke.

Save as disclosed above, during the six months ended 30 June 2020, the Group has no other significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2020, the Group had approximately 654 employees (31 December 2019: 614) in Hong Kong and in the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2020, the total employee benefit expenses (including directors' emoluments) were approximately RMB83,427,000 (six months ended 30 June 2019: RMB111,639,000). For details, please refer to note 6(a) to the "Notes to the Condensed Consolidated Interim Financial Statements" of this announcement. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short-term bonuses and long-term rewards, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme on 22 July 2009 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Share Option Scheme expired on 21 July 2019 and no further options could thereafter be granted. Notwithstanding the expiry of the Share Option Scheme, the share options which had been granted during the life of the scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this announcement, the Group did not have any other significant investments, other material acquisition or disposal during the six months ended 30 June 2020, and there was no plan authorised by the Board for other material investments or additions of capital assets up to the date of this announcement.

PROSPECT

In 2020, the novel coronavirus pandemic may have a certain impact on the additional installed capacity of global solar power generation market, however, the momentum of steady and improving development of global solar power generation market is expected to remain unchanged. According to the long-term forecasts of major international institutions, both installed capacity and power generation volume of solar power across the globe will continue to grow in the future. The future prospect of the market remains positive.

Currently, the situation of pandemic prevention and control in China is improving, and the impact of the pandemic on demand for additional installed capacity of solar power in China this year is expected to be insignificant. Driven by bidding projects that are off-grid, additional bidding projects and grid parity projects in 2019, the additional installed capacity of solar power generation in China is expected to increase this year.

Looking forward, grasping the opportunities in the solar power generation industry, the Group will continue to push its strategies on the investment and operation of solar power plants forward, optimise its power asset allocation, step up its effort to improve the efficiency of power generation, actively participate in power trading market, and accelerate its pace in shifting to an asset-light model, striving to become the leading domestic service provider for new energy power plant operation and maintenance. We will continue to promote the development of green inclusive finance businesses, so as to further strengthen the Group's overall competitiveness and enhance its operating performance.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for its corporate governance practices during the period under review. In the opinion of the Board, save for the deviation as disclosed below, the Company has complied with the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2020.

Code Provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing non-executive Directors and independent non-executive Directors are appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code in this respect.

Code provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Mr. Jin Yanbing was appointed as the Chairman of the Board, the CEO and an executive Director on 26 August 2019. Since then, the Company does not have a separate chairman and CEO. Mr. Jin Yanbing currently performs these two roles. The Board believes that vesting the roles of both chairman and CEO has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will review the management structure regularly and consider separating the roles of the chairman and CEO if and when appropriate.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

EVENTS AFTER REPORTING DATE

On 24 July 2020, Mr. Chen Cong tendered his resignation as the company secretary of the Company (the "Company Secretary") and Mr. Ching Kin Wai was appointed as the Company Secretary. For details, please refer to the announcement of the Company dated 24 July 2020.

Save as disclosed above, there are no important events affecting the Group which have occurred after 30 June 2020 and up to the date of this announcement.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Model Code as the code for dealing in securities of the Company by the Directors. The Company confirms that, having made specific enquiries with all the Directors, all the Directors have complied with the required standard of the Model Code during the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed, with no disagreement, the Group's condensed consolidated financial statements for the six months ended 30 June 2020 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

CHANGES OF INFORMATION OF DIRECTORS

The changes in the information of the Directors since the publication of the annual report of the Company for the financial year ended 31 December 2019 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Executive Directors	
Mr. Qin Hongfu ("Mr. Qin")	Appointed as an executive Director on 4 June 2020.
Mr. Deng Chengli	Resigned as an executive Director on 4 June 2020.
Non-executive Directors	
Mr. Wang Ke	Resigned as a non-executive Director on 4 June 2020.
Mr. Wu Tak Kong	Resigned as a non-executive Director on 4 June 2020.
Independent non-executive Directors	
Ms. Wu Wennan	Appointed as chairman of Audit Committee on 14 May 2020 and member of Nomination Committee and Remuneration Committee on 4 June 2020.
Mr. Lang Wangkai ("Mr. Lang")	Appointed as an independent non-executive Director, chairman of Nomination Committee and member of Audit Committee and Remuneration Committee on 4 June 2020.
Mr. Miu Hon Kit	Resigned as an independent non-executive Director, chairman of Audit Committee, member of Nomination Committee and Remuneration Committee on 14 May 2020.
Mr. Chen Kin Shing	Resigned as an independent non-executive Director, chairman of Nomination Committee, member of Audit Committee and Remuneration Committee on 4 June 2020.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The biographical details of Mr. Qin and Mr. Lang are set out in the announcement of the Company dated 4 June 2020.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the Company's website at www.kongsun.com. The interim report for the six months ended 30 June 2020 of the Group will also be published on the same websites and despatched to the shareholders of the Company in due course.

By order of the Board
Kong Sun Holdings Limited
Jin Yanbing
Executive Director

Hong Kong, 25 August 2020

As of the date of this announcement, the Board comprises two executive Directors, Mr. Jin Yanbing and Mr. Qin Hongfu, one non-executive Director, Mr. Jiang Hengwen, and three independent non-executive Directors, Mr. Lang Wangkai, Ms. Wang Fang and Ms. Wu Wennan.

* *For identification purposes only*