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## CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED

### 中國瑞風新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00527)

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND RESUMPTION OF TRADING

### RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Ruifeng Renewable Energy Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (or the “**Reporting Period**”) together with the comparative figures for the previous year as follows:

#### Consolidated Statement of Profit or Loss

*For the year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
<b>Revenue</b>	3	<b>346,401</b>	361,683
Cost of sales		<b>(233,788)</b>	(245,217)
<b>Gross profit</b>		<b>112,613</b>	116,466
Interest income		<b>7,417</b>	11,959
Other revenue and net income	5	<b>23,271</b>	34,703
Administrative expenses		<b>(82,444)</b>	(77,988)

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>Profit from operations</b>		<b>60,857</b>	85,140
Finance costs	<i>6(a)</i>	<b>(140,271)</b>	(148,580)
Share of (losses)/profits of associates		<b>(92,803)</b>	3,330
Share of loss of a joint venture		<u><b>(1,660)</b></u>	<u>(1,497)</u>
<b>Loss before taxation</b>	<i>6</i>	<b>(173,877)</b>	(61,607)
Income tax	<i>7</i>	<u><b>(30,096)</b></u>	<u>(19,171)</u>
<b>Loss for the year</b>		<u><b>(203,973)</b></u>	<u>(80,778)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(213,010)</b>	(103,879)
Non-controlling interests		<u><b>9,037</b></u>	<u>23,101</u>
<b>Loss for the year</b>		<u><b>(203,973)</b></u>	<u>(80,778)</u>
<b>Loss per share attributable to the equity shareholders of the Company during the year</b>			
<b>Basic and diluted (RMB)</b>	<i>8</i>	<u><b>(0.108)</b></u>	<u>(0.058)</u>

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Loss for the year</b>	<u>(203,973)</u>	<u>(80,778)</u>
<b>Other comprehensive income/(expense) for the year</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	51,736	(16,138)
Exchange differences reclassified to profit or loss on disposal of a subsidiary	—	1,081
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company	(16,256)	5,822
Net movement in the fair value change in respect of financial assets at fair value through other comprehensive income	<u>665</u>	<u>288</u>
Other comprehensive income/(expense) for the year (net of tax)	<u>36,145</u>	<u>(8,947)</u>
<b>Total comprehensive expense for the year</b>	<u><u>(167,828)</u></u>	<u><u>(89,725)</u></u>
<b>Total comprehensive (expense)/income attributable to:</b>		
Equity shareholders of the Company	(177,058)	(112,910)
Non-controlling interests	<u>9,230</u>	<u>23,185</u>
<b>Total comprehensive expense for the year</b>	<u><u>(167,828)</u></u>	<u><u>(89,725)</u></u>

## Consolidated Statement of Financial Position

At 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,246,848</b>	1,396,118
Right-of-use assets		<b>9,610</b>	12,595
Interests in associates		<b>—</b>	92,803
Interest in a joint venture		<b>2,961</b>	4,621
Financial assets at fair value through other comprehensive income		<b>8,165</b>	7,500
Financial assets at fair value through profit or loss		<b>5,225</b>	5,225
Prepayments and other receivables	<i>11</i>	<b>155,381</b>	141,981
Deferred tax assets		<b>—</b>	2,920
		<b>1,428,190</b>	1,663,763
<b>Current assets</b>			
Financial assets at fair value through profit or loss		<b>2,100</b>	2,692
Inventories		<b>618</b>	583
Trade receivables	<i>10</i>	<b>273,735</b>	243,620
Prepayments and other receivables	<i>11</i>	<b>535,307</b>	538,140
Cash and cash equivalents		<b>858,837</b>	103,456
		<b>1,670,597</b>	888,491
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>207,837</b>	150,219
Borrowings		<b>835,562</b>	569,300
Lease liabilities		<b>—</b>	2,343
Current taxation		<b>16,901</b>	2,588
		<b>1,060,300</b>	724,450
<b>Net current assets</b>		<b>610,297</b>	164,041
<b>Total assets less current liabilities</b>		<b>2,038,487</b>	1,827,804
<b>Non-current liabilities</b>			
Borrowings		<b>1,386,070</b>	1,014,646
Deferred tax liabilities		<b>19,194</b>	22,805
		<b>1,405,264</b>	1,037,451
<b>Net assets</b>		<b>633,223</b>	790,353
<b>Capital and reserves</b>			
Share capital		<b>17,286</b>	15,677
Reserves		<b>384,720</b>	523,965
<b>Total equity attributable to equity shareholders of the Company</b>		<b>402,006</b>	539,642
Non-controlling interests		<b>231,217</b>	250,711
<b>Total equity</b>		<b>633,223</b>	790,353

## 1 GENERAL INFORMATION

China Ruifeng Renewable Energy Holdings Limited was incorporated in the Cayman Islands on 23 June 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 9 June 2006. The addresses of the registered office and principal place of business of the Company are Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room 1801, 18/F, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong, respectively.

The Company acts as an investment holding company. The Group is principally engaged in wind farm operations.

The annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2020 but are extracted from those consolidated financial statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), that are relevant to its operations and effective for its accounting year beginning on 1 January 2020 which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange (“**Listing Rules**”).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

**(b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interests in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value:

- financial instruments classified as financial assets at fair value through other comprehensive income or as financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (c) Adoption of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise HKFRS, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

## 3 REVENUE

The principal activity of the Group is wind farm operations.

Revenue represents the sales value of electricity generated from the wind farm supplied to a power grid company (net of value-added tax). The amount of revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Wind power generation revenue	256,301	268,094
Wind power generation subsidies	94,997	98,904
Business tax and surcharges	(4,897)	(5,315)
<b>Total</b>	<b><u>346,401</u></b>	<b><u>361,683</u></b>

Electricity revenue is recognised over time as the electricity is supplied to the provincial grid companies periodically.

The Group's revenue are mainly wind power electricity sales receivable from local grid companies. Generally, the receivable are due within 30 days from the date of billing, except for the tariff premium. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies.

## 4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segment. No operating segments have been aggregated to form the following reportable segment.

For the years ended 31 December 2020 and 2019, the Group has one segment of using wind turbine blades to generate electricity power in the PRC.

### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources, the Group's chief executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of certain interests in associates and a joint venture. Segment liabilities include trade and other payables and income tax payable attributable to the individual segments and borrowings managed directly by the segment.

Revenue and expenses are allocated to the reportable segment with reference to sales generated by this segment and the expenses incurred by this segment or which otherwise arise from the depreciation or amortisation of assets attributable to this segment.

The measure used for reporting segment profit is "adjusted EBT" i.e. "adjusted earnings before taxes". To arrive at adjusted EBT, the Group's earnings are further adjusted for items not specifically attributed to the individual segment, such as share of (losses)/profits of associates, share of loss of a joint venture, Directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBT, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segment, depreciation, amortisation, impairment losses and additions to non-current segment assets used by the segment in its operations.



Information regarding the Group's reportable segment as provided to the Group's chief executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

*For the year ended 31 December 2020:*

	<b>Wind farm Operations RMB'000</b>	<b>Un-allocated RMB'000</b>	<b>Total RMB'000</b>
Reportable segment revenue	<u><b>346,401</b></u>	<u><b>—</b></u>	<u><b>346,401</b></u>
Reportable segment profit/(loss)	<u><b>68,944</b></u>	<u><b>(89,193)</b></u>	<u><b>(20,249)</b></u>
Central administrative costs	<u><b>—</b></u>	<u><b>(67,004)</b></u>	<u><b>(67,004)</b></u>
Central finance costs	<u><b>—</b></u>	<u><b>(86,624)</b></u>	<u><b>(86,624)</b></u>
Loss before taxation			<u><b>(173,877)</b></u>
Income tax			<u><b>(30,096)</b></u>
Loss for the year	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>(203,973)</b></u>

*For the year ended 31 December 2019:*

	<b>Wind farm Operations RMB'000</b>	<b>Un-allocated RMB'000</b>	<b>Total RMB'000</b>
Reportable segment revenue	<u><b>361,683</b></u>	<u><b>—</b></u>	<u><b>361,683</b></u>
Reportable segment profit	<u><b>76,350</b></u>	<u><b>10,116</b></u>	<u><b>86,466</b></u>
Central administrative costs	<u><b>—</b></u>	<u><b>(45,916)</b></u>	<u><b>(45,916)</b></u>
Central finance costs	<u><b>—</b></u>	<u><b>(102,157)</b></u>	<u><b>(102,157)</b></u>
Loss before taxation			<u><b>(61,607)</b></u>
Income tax			<u><b>(19,171)</b></u>
Loss for the year	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>(80,778)</b></u>

Other segment items included in the consolidated statement of profit or loss are as follows:

*For the year ended 31 December 2020:*

	<b>Wind farm operations RMB'000</b>	<b>Un-allocated RMB'000</b>	<b>Total RMB'000</b>
Depreciation for the year	(155,135)	(1,666)	(156,801)
Expected credit losses on amount due from an associate	—	(29,187)	(29,187)
Expected credit losses on loan receivables and other receivables	(2,075)	(16,438)	(18,513)
Interest income	3,767	3,650	7,417
Share of loss of a joint venture	—	(1,660)	(1,660)
Share of loss of an associate	—	(92,803)	(92,803)
Additions to non-current segment assets during the year	<u>5,501</u>	<u>75</u>	<u>5,576</u>

*As at 31 December 2020:*

Assets	2,835,187	260,639	3,095,826
Associate	—	—	—
Joint venture	—	2,961	2,961
Reportable segment assets	<u>2,835,187</u>	<u>263,600</u>	<u>3,098,787</u>
Reportable segment liabilities	<u>(1,669,746)</u>	<u>(795,818)</u>	<u>(2,465,564)</u>

Other segment items included in the consolidated statement of profit or loss are as follows:

*For the year ended 31 December 2019:*

	Wind farm operations RMB'000	Un-allocated RMB'000	Total RMB'000
Depreciation for the year	(157,190)	(2,470)	(159,660)
Loss on remeasurement of other receivables to fair value	(18,000)	—	(18,000)
Interest income	4,987	6,972	11,959
Share of loss of a joint venture	—	(1,497)	(1,497)
Share of profits less losses of associates	—	3,330	3,330
Additions to non-current segment assets during the year	<u>51,504</u>	<u>16</u>	<u>51,520</u>
<i>As at 31 December 2019:</i>			
Assets	2,164,862	289,968	2,454,830
Associates	—	92,803	92,803
Joint venture	—	4,621	4,621
Reportable segment assets	<u>2,164,862</u>	<u>387,392</u>	<u>2,552,254</u>
Reportable segment liabilities	<u>(961,248)</u>	<u>(800,653)</u>	<u>(1,761,901)</u>

**(b) Geographic information**

In determining the Group's geographical segments, revenues and results are attributed to the segment based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's major operations and markets are located in the PRC, no further geographic segment information is provided.

**(c) Information about a major customer**

For the year ended 31 December 2020, revenue of approximately RMB346,401,000 (2019: approximately RMB361,683,000) was made to a single customer attributable to the wind farm operation segment comprising 100% (2019: 100%) of the total revenue of the Group.

**5 OTHER REVENUE AND NET INCOME**

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Government subsidy income related to value-added tax refund	<b>20,314</b>	27,364
Other government subsidy income	<b>631</b>	—
Gain on disposal of partial interests in an associate	—	1,594
Gain on disposal of a subsidiary	<b>91</b>	228
Loss on disposal of property, plant and equipment	—	(127)
Net realised and unrealised loss on financial assets at fair value through profit or loss	<b>(513)</b>	(2,026)
Net foreign exchange gains	<b>1</b>	808
Rental income from operating leases	<b>2,363</b>	2,300
Compensation income	—	3,286
Others	<b>384</b>	1,276
	<b>23,271</b>	34,703

## 6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>(a) Finance costs:</b>		
Interest expenses on bank loans and other loans	62,174	62,685
Interest expenses on bonds	15,957	15,436
Interest expenses on convertible notes	—	39,978
Interest expenses on convertible bonds	40,604	29,398
Interest expenses on notes payables	21,501	810
Lease interests	35	273
	<hr/>	<hr/>
Total interest expenses	<b>140,271</b>	<b>148,580</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>(b) Staff costs (including Directors' remuneration):</b>		
Contributions to defined contribution retirement plans	3,472	4,386
Salaries, wages and other benefits	35,680	38,378
	<hr/>	<hr/>
	<b>39,152</b>	<b>42,764</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>(c) Other items:</b>		
Loss on remeasurement of other receivables to fair value (included in administrative expenses)	—	18,000
Expected credit losses on amount due from an associate (included in administrative expenses)	29,187	—
Expected credit losses on loan receivables and other receivables (included in administrative expenses)	18,513	—
Depreciation for right-of-use assets	1,955	3,052
Depreciation for property, plant and equipment — owned assets	154,846	156,608
Net foreign exchange gains	(1)	(808)
Auditors' remuneration		
— audit services	1,104	1,078
— non-audit services	166	415
Loss on disposal of property, plant and equipment	—	127
Share-based payment arising from the issue of convertible notes/bonds	—	21,255
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## 7 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current tax — PRC Enterprise Income Tax</b>		
Provision for the year	29,544	26,461
Over-provision in respect of prior years	—	(832)
<b>Withholding tax</b>		
Provision for the year	1,031	1,390
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(479)	(7,848)
	<u>30,096</u>	<u>19,171</u>

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong during the year (2019: Nil).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

Pursuant to Caishui 2008 No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, Hebei Hongsong Wind Power Co., Ltd\* (“**Hongsong**”), is engaged in public infrastructure projects which are set up after 1 January 2008, is entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from its respective year with first operating income (“**3+3 tax holiday**”). Accordingly, Hongsong's certain profit, derived from public infrastructure projects which are set up after 1 January 2008, was exempted from the PRC Enterprise Income Tax (“**EIT**”).

Except for mentioned as above, the applicable income tax rate to the Group's PRC subsidiaries is 25% in 2020 and 2019.

The Law of the PRC Enterprise Income Tax and the Implementation Regulations also impose a withholding tax at 5-10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008.

## 8 LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB213,010,000 (2019: approximately RMB103,879,000).

The weighted average number of approximately 1,978,157,000 ordinary shares (2019: approximately 1,799,141,000 ordinary shares) are in issue during the year.

### (b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2020 and 2019 are equal to basic loss per share because (i) there are no dilutive potential ordinary shares for the Company's outstanding options; and (ii) the impact of the convertible bonds outstanding has an anti-dilutive effect on the basic loss per share amounts presented.

## 9 DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2020 (2019: Nil).

## 10 TRADE RECEIVABLES

	<b>2020</b>	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<b>275,765</b>	245,650
Less: allowance for expected credit losses	<b>(2,030)</b>	(2,030)
	<u><b>273,735</b></u>	<u>243,620</u>

## Ageing analysis

Trade receivables are net of allowance for expected credit losses of approximately RMB2,030,000 (2019: approximately RMB2,030,000) with the following ageing analysis as of the end of the Reporting Period:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within three months	<b>81,213</b>	81,841
More than three months but within one year	<b>67,709</b>	75,623
More than one year	<b>124,813</b>	86,156
	<b><u>273,735</u></b>	<b><u>243,620</u></b>

The Group's trade receivables are mainly wind power electricity sales receivable from local grid companies. Generally, the receivable are due within 30 days from the date of billing, except for the tariff premium. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relative long time for settlement.



## 11 PREPAYMENTS AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other receivables	347,057	288,758
Less: allowance for expected credit losses	<u>(17,853)</u>	<u>(8,274)</u>
	<u>329,204</u>	<u>280,484</u>
Loan receivables	243,642	226,155
Less: allowance for expected credit losses	<u>(17,420)</u>	<u>(9,000)</u>
	<u>226,222</u>	<u>217,155</u>
Amount due from associates	29,187	29,189
Less: allowance for expected credit losses	<u>(29,187)</u>	<u>—</u>
	<u>—</u>	<u>29,189</u>
Amount due from non-controlling interest	<u>7,498</u>	<u>2,498</u>
Loan and receivables	<u>562,924</u>	<u>529,326</u>
Deposit for loans	16,000	22,220
Prepayments and other deposits	<u>111,764</u>	<u>128,575</u>
	<u>690,688</u>	<u>680,121</u>
Less: Non-current portion of		
— Prepayments for acquisition of property, plant and equipment and other long-term receivables	<u>(155,381)</u>	<u>(141,981)</u>
Total current portion of prepayments and other receivables	<u><u>535,307</u></u>	<u><u>538,140</u></u>

## 12 TRADE AND OTHER PAYABLES

	<b>2020</b>	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<b>2,259</b>	4,032
Interest payables	<b>47,784</b>	20,424
Accrual and other payables	<b>66,572</b>	47,332
Payables on acquisition of property, plant and equipment	<b>11,900</b>	11,962
Payables on acquisition of a subsidiary and a joint venture	<b>22,093</b>	22,093
Other tax payables	<b>6,006</b>	7,180
Amounts due to directors	<b>4,519</b>	313
Amounts due to non-controlling interests	<b>46,704</b>	36,883
	<b><u>207,837</u></b>	<u>150,219</u>

Included in trade payables are trade creditors with the following ageing analysis as of the end of the Reporting Period:

	<b>2020</b>	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	<b>1,356</b>	3,851
More than three months but within one year	<b>555</b>	77
More than one year	<b>348</b>	104
	<b><u>2,259</u></b>	<u>4,032</u>

### 13 COMMITMENTS

Capital commitments outstanding at the end of reporting period not provided for in the consolidated financial statements were as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Capital injection in subsidiaries		
— Contracted for	<b>607,562</b>	955,731
Capital injection in an associate		
— Contracted for	<b>39,117</b>	41,723
Acquisition of property, plant and equipment		
— Contracted for	<b>45,015</b>	46,607
	<b>691,694</b>	1,044,061

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group is currently and principally engaged in wind farm operations during the year ended 31 December 2020.

Operating results for the years ended 31 December 2020 and 31 December 2019 were as follows:

	Year ended 31 December		Increase/ (decrease)	Approximate change in percentage
	2020	2019	(decrease)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	<b>346,401</b>	361,683	(15,282)	(4)
Gross profit	<b>112,613</b>	116,466	(3,853)	(3)
Profit from operations	<b>60,857</b>	85,140	(24,283)	(29)
Loss before taxation	<b>(173,877)</b>	(61,607)	112,270	182
Loss for the year	<b>(203,973)</b>	(80,778)	123,195	153
Attributable to:				
Equity shareholders of the Company	<b>(203,010)</b>	(103,879)	99,131	96
Non-controlling interests	<b>9,037</b>	23,101	(14,064)	(61)
Loss for the year	<b>(203,973)</b>	(80,778)	123,195	153

		Year ended 31 December	
	<i>Notes</i>	2020	2019
Net cash ( <i>RMB'000</i> )	1	<b>(1,362,795)</b>	(1,480,490)
Net assets ( <i>RMB'000</i> )	2	<b>633,223</b>	790,353
Liquidity ratio	3	<b>158%</b>	123%
Trade receivables turnover (number of days)	4	<b>271</b>	234
Trade payables turnover (number of days)	5	<b>5</b>	14
Earning interest multiple	6	<b>0.24</b>	0.59
Net debt to capital ratio	7	<b>215%</b>	187%

Notes:

1. Cash at bank and on hand – Borrowings
2. Total assets – Total liabilities
3. Current assets/Current liabilities x 100%
4. Average trade receivables/Revenue x 365 days
5. Average trade payables/Cost of sales x 365 days
6. Profit before interest and taxation/Finance cost
7. Net debt/Equity x 100%

## Revenue

During the year ended 31 December 2020, the Group's revenue was entirely derived from the business of wind power generation. The Group's operating bases for the business of wind power generation are mainly located in Chengde City of Hebei Province and Inner Mongolia, the PRC.

Revenue for the year ended 31 December 2020 was approximately RMB346,401,000 and representing a slight decrease compared to approximately RMB361,683,000 for the year ended 31 December 2019.

Analysis of the Group's revenue for the two years ended 31 December 2020 and 31 December 2019 are set out below:

	<b>2020</b>	2019	<b>Increase/ (decrease)</b>	<b>Approximate change in percentage</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
Wind power generation revenue	<b>256,301</b>	268,094	(11,793)	(4)
Wind power generation subsidies	<b>94,997</b>	98,904	(3,907)	(4)
Business tax and surcharges	<b>(4,897)</b>	(5,315)	418	(8)
<b>Total</b>	<b><u>346,401</u></b>	<b><u>361,683</u></b>	<b><u>(15,282)</u></b>	<b><u>(4)</u></b>

## **Cost of Sales**

Cost of sales mainly included the cost of raw materials, staff costs, depreciation, repair and maintenance cost, water, electricity, gas, and other ancillary materials. Cost of sales for the year ended 31 December 2020 accounted for approximately RMB233,788,000 (2019: approximately RMB245,217,000), which represented approximately 67% of the Group's revenue (2019: approximately 68%).

## **Gross Profit**

Gross profit was approximately RMB112,613,000 for the year ended 31 December 2020 (2019: approximately RMB116,466,000) which was primarily derived from the operation of the Group's business of wind power generation. The gross profit margin for the Reporting Period was approximately 33%, as compared to approximately 32% for the year of 2019.

## **Other Revenue and Net Income**

Other revenue and net income for the year ended 31 December 2020 was mainly comprised of (i) refund of value-added tax from the PRC government amounted to approximately RMB20,314,000 (2019: approximately RMB27,364,000); (ii) rental income from operating leases amounted to approximately RMB2,363,000 (2019: approximately RMB2,300,000); and (iii) other government subsidy amounted to approximately RMB631,000 (2019: Nil).

## **Administrative Expenses**

Administrative expenses mainly included salaries and welfare expenses, professional fees, rental expenses, depreciation expenses, office expenses and other taxation expenses. It increased by approximately 6% to approximately RMB82,444,000 for the year ended 31 December 2020 as compared with that of approximately RMB77,988,000 for the year ended 31 December 2019.

The increase was mainly due to the presence of expected credit losses on amount due from an associate amounted to approximately RMB29,187,000 (2019: Nil) and expected credit losses on loan receivables and other receivables amounted to approximately RMB18,513,000 (2019: Nil), which was partially off-set by (i) absence of a non-cash and non-operating expenses related to the share based payment arising from the issue of Convertible Bonds recorded for the year ended 31 December 2019 amounted to approximately RMB21,255,000; and (ii) absence of loss on remeasurement of other receivables to fair value recorded for the year ended 31 December 2019 amounted to approximately RMB18,000,000.

Expected credit losses on loan receivables and other receivables amounted to approximately RMB18,513,000 was recognised for the year ended 31 December 2020 (2019: Nil). The Group performs impairment assessment under expected credit loss model on loan receivables and other receivables individually. Management considered that the credit risks of certain counterparties have increased significantly after taking into account various factors such as the financial positions and historical settlement record of the counterparties. Based on the assessment, the recoverability of certain loan receivables and other receivables with carrying amount of approximately RMB18,513,000 was remote and full provision of expected credit losses was recognised for the year ended 31 December 2020.

## **Finance Costs**

Finance costs mainly referred to the interest expenses of the Group's borrowings including bank loans and other loans obtained and Corporate Bonds, Notes and Convertible Bonds (as defined below) issued by the Company amounted to approximately RMB140,271,000 for the year ended 31 December 2020 (2019: approximately RMB148,580,000). The decrease was mainly due to the reduction of effective interests incurred for the Notes during the Reporting Period.

## **Share of losses of associates**

During the Reporting Period, the Group recorded share of loss of an associate amounted to approximately RMB92,803,000 (2019: share of profits less losses of associates amounted to approximately RMB3,330,000) which induced the interests in associates on the consolidated statement of financial position becomes nil as at 31 December 2020. The significant share of loss was due to recognition of expected credit losses on loan receivables and other receivables by an associate, Shenzhen Qianhai Jiefeng Financing and Leasing limited\* (the "Associate") amounted to approximately RMB243,944,000 during the Reporting Period.

The Associate is principally engaged in financial leasing and the Group has 49% voting rights in the Associate. At the end of the Reporting Period, management has assessed the impairment on loan receivables and related loan interest receivables which was classified as other receivables on the financial statements of the Associate on an individual basis. The assessment included evaluation of collectability and ageing analysis of accounts and on the management's judgment, including the current creditworthiness and past collection history of each borrower. Taking into consideration of (i) loan receivables that were past due; (ii) historical settlement and subsequent settlement record; (iii) external sources showing deteriorating creditability or potential financial difficulties of individual borrower; and (iv) lack of latest financial information of individual borrower, management considered that the default risk has increased significantly and the recoverability of the loan receivables and other receivables of the Associate was remote and full provision of expected credit losses was recognised for the year ended 31 December 2020.

In view of the financial position of the Associate, management considered that the recoverability of the amount due from the Associate is remote and full provision of expected credit losses of amount due from the Associate amounted to approximately RMB29,187,000 was recognised for the year ended 31 December 2020.

### **Taxation**

Taxation expenses increased to approximately RMB30,096,000 for the year ended 31 December 2020 (2019: approximately RMB19,171,000). Such increase was mainly derived from the increase in taxable income of a PRC subsidiary, Hongsong.

### **Loss for the Reporting Period**

Loss for the year ended 31 December 2020 was approximately RMB203,973,000 (2019: approximately RMB80,778,000). The significant increase in loss for the year was mainly due to the presence of significant share of loss of an associate incurred during the Reporting Period.

Loss attributable to equity shareholders was approximately RMB213,010,000 (2019: approximately RMB103,879,000).

### **Net Current Assets**

Net current assets as at 31 December 2020 was approximately RMB610,297,000 (2019: approximately RMB164,041,000). Increase in net current assets position as at 31 December 2020 was mainly due to the drawdown of long-term borrowings to increase working capital and to repay bank loans and other loans by Hongsong.

### **Liquidity and Financing**

The cash and bank balances as at 31 December 2020 and 31 December 2019 amounted to approximately RMB858,837,000 (mainly denominated in RMB and HKD, which is comprised of approximately RMB858,436,000 and HKD476,000), and approximately RMB103,456,000 respectively.

Total borrowings as at 31 December 2020 amounted to approximately RMB2,221,632,000, representing an increase by approximately RMB637,686,000 when compared with approximately RMB1,583,946,000 as at 31 December 2019. The increase in total borrowings was mainly resulted from the addition of new long-term borrowings by Hongsong during the Reporting Period.



The Group repaid its debts mainly through the steady recurrent cash-flows generated by its operations and by other external financings. The Group's gearing ratio increased to approximately 80% as at 31 December 2020 from approximately 69% as at 31 December 2019. That ratio was calculated by dividing the Group's total liabilities by its total assets. During the year ended 31 December 2020, all of the Group's borrowings were settled in RMB and HKD and all of the Group's income was denominated in RMB. Interest-bearing borrowings were approximately RMB2,221,632,000 as at 31 December 2020. Among the interest-bearing borrowings of the Group, approximately RMB681,405,000 were fixed rate loans, while approximately RMB1,540,227,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2020 and up to the date of this announcement, as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuations and interest rate fluctuations in individual transactions.

### **Issuance of Corporate Bonds**

During the Reporting Period, the Company did not issue additional non-listing corporate bonds (the "**Corporate Bonds**") to investors, and principal amount of HKD1,000,000 in total were matured and redeemed (for the year ended 31 December 2019: the Company did not issue additional Corporate Bonds; and principal amount of HKD4,000,000 in total were matured and redeemed).

As at 31 December 2020 and 31 December 2019, principal amount of approximately HKD176,236,000 and HKD177,236,000 of the Corporate Bonds had been issued and had not been repaid respectively. For details, please refer to the announcements of the Company dated 10 July 2014 and 28 April 2015.

### **Extension of Notes (previously known as Convertible Notes)**

On 26 May 2016, the Company entered into a placing agreement (the "**Placing Agreement**") with Get Nice Securities Limited (the "**Placing Agent**") pursuant to which the Placing Agent has conditionally agreed to procure the placee(s) on a best effort basis during the placing period to subscribe for the convertible notes to be issued by the Company of up to an aggregate principal amount of HKD171,600,000 due 2017, with the conversion rights to convert the outstanding principal amount of the convertible notes into ordinary shares of the Company at an initial conversion price of HKD0.65 per conversion share (the "**Convertible Notes**").

Assuming full conversion of the Convertible Notes, a total of 264,000,000 shares of the Company would be allotted and issued, representing (i) approximately 14.67% of the issued share capital of the Company as at the date of the Placing Agreement; and (ii) approximately 12.80% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares upon full conversion of the Convertible Notes.

On 15 June 2016, the Convertible Notes in the aggregate principal amount of HKD171,600,000 were issued by the Company in accordance with the terms of the Placing Agreement. The net proceeds from the issue of Convertible Notes, after deducting the Placing Agent's commission and other related expenses payable by the Company, amounted to approximately HKD167,900,000.

On 12 December 2017, the Company and all the holders of the Convertible Notes entered into a deed of amendment (the "**Amendment Deed**") to extend the maturity date of the Convertible Notes from 15 December 2017 to 15 June 2019. Save for the extension of the maturity date, all other terms and conditions of the Convertible Notes remained unchanged. The Amendment Deed has become unconditional on 15 December 2017 upon approval being received from Stock Exchange.

On 22 August 2019, the Company and all the holders of the Convertible Notes entered into second deed of amendment (the "**Second Amendment Deed**") to (i) further extend the maturity date (as extended by the Amendment Deed) from 15 June 2019 to 15 December 2019; (ii) amend the interest rate of the Convertible Notes from 8% per annum to 10% per annum with effect from 15 June 2019; and (iii) require the Company to pay on the date of the Second Amendment Deed interest accrued and to be accrued from (and including) 15 June 2019 to (but excluding) 15 December 2019. Save for the aforesaid, all other terms and conditions of the Convertible Notes remain unchanged. The noteholders have irrevocably and unconditionally agreed and undertaken to waive any and all events of default that may have arisen on or prior to the date of the Second Amendment Deed. The Second Amendment Deed has become unconditional on 23 August 2019 upon approval being received from the Stock Exchange.

On 10 February 2020, the Company and all the noteholders entered into third deeds of amendment (the "**Third Amendment Deeds**") to (i) remove the mechanism under which the noteholders are entitled to convert the outstanding principal amount of the Convertible Notes into conversion shares; (ii) further extend the maturity date (as extended by the Second Amendment Deed) from 15 December 2019 to 15 May 2020; (iii) amend the interest rate of the Convertible Notes from 10% per annum to 12% per annum with effect from 15 December 2019; and (iv) require the Company to pay in advance interest accrued and to be accrued from (and including) 15 December 2019 to (but excluding) 15 May 2020. Save for the aforesaid, all other terms and conditions of the Convertible Notes remain unchanged. The noteholders have irrevocably and unconditionally agreed and undertaken to waive any and all events of default that may have arisen on or prior to the date of the Third Amendment Deeds. The Third Amendment Deeds has become unconditional on 12 February 2020 upon approval being received from the Stock Exchange. Convertible Notes have since then been reclassified as notes (the "**Notes**").

During the Reporting Period, the Notes with principal amount of HKD10,800,000 has been repaid. The Company is currently in negotiation with all the noteholders regarding the possible extension of maturity date and amendment to the other terms and conditions of the remaining balances of the Notes.

No conversion share has been allotted or issued from the conversion of the Convertible Notes during the year ended 31 December 2020. As at 31 December 2020 and 31 December 2019, principal amount of approximately HKD160,800,000 and HKD171,600,000 of the Notes had been issued and had not been repaid respectively.

Further details are set out in the announcements of the Company dated 26 May 2016, 15 June 2016, 12 December 2017, 19 December 2017, 22 August 2019, 23 August 2019, 10 February 2020 and 12 February 2020 respectively.

### **Issuance of Convertible Bonds**

On 31 December 2018, the Company, Filled Converge Limited (“**Filled Converge**”) and Well Foundation Company Limited (“**Well Foundation**”) entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Company conditionally agreed to issue and (i) Filled Converge conditionally agreed to subscribe for the convertible bonds (the “**Convertible Bonds**”) in the principal amount of HKD294,183,000 and (ii) Well Foundation conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HKD19,612,000. The Convertible Bonds are in aggregation in the amount of HKD313,795,000 due at 2021 and extendable to 2022 at an interest rate of 8% per annum, with the conversion rights to convert the outstanding principal amount of the Convertible Bonds into the shares at an initial conversion price of HKD0.485 per conversion share.

Assuming full conversion of the Convertible Bonds, a total of 647,000,000 new shares of the Company, being the conversion shares, would be allotted and issued, representing (i) approximately 35.96% of the issued share capital of the Company as at the date of the Subscription Agreement; and (ii) approximately 26.45% of the issued share capital of the Company as at the date of the Subscription Agreement as enlarged by the allotment and issue of the conversion shares upon full conversion of the Convertible Bonds.

With effect from 3 January 2020, the conversion price of the Convertible Bonds was adjusted from HKD0.485 per conversion share to HKD0.475 per conversion share, subsequent to the completion of placing of new shares on 3 January 2020. The Convertible Bonds entitle the holders to convert into 660,621,052 conversion shares after the adjustment to conversion price.

None of the rights attached to the Convertible Bonds has been exercised and no conversion share has been allotted or issued from the conversion of the Convertible Bonds during the Reporting Period.

On 10 September 2020, the Company and the holders of the Convertible Bonds entered into the supplemental deeds regarding proposed amendments to the terms and conditions of the Subscription Agreement, including (i) amend the interest rates of the Convertible Bonds from 8% per annum to 10% per annum with effect when all the conditions precedent to the supplemental deeds are fulfilled/waived; (ii) the conversion price shall be adjusted from HKD0.475 to HKD0.27 per conversion share; and (iii) insertion of new clause in relation to the mechanism of a deposit of RMB300 million (the “**Supplemental Deeds**”). The proposed amendments shall be approved by the Stock Exchange and also the approval from the shareholders shall be obtained at the extraordinary general meeting. The Supplemental Deeds were lapsed on 15 December 2020 as the conditions precedent could not be fulfilled/waived.

On 29 January 2021, the Company and the holders of the Convertible Bonds entered into the supplemental agreements regarding proposed amendments to the terms and conditions of the Subscription Agreement, including (i) amend the interest rates of the Convertible Bonds from 8% per annum to 10% per annum with effect when all the conditions precedent to the supplemental agreements are fulfilled/waived; (ii) the conversion price shall be adjusted from HKD0.475 to HKD0.190 per conversion share; (iii) insertion of new clause in relation to the mechanism of a deposit of RMB300 million and (iv) the conditions subsequent to the Subscription Agreement shall be deleted in its entirety and no share charge or equity pledge exists (the “**Supplemental Agreements**”). The proposed amendments shall be approved by the Stock Exchange and also the approval from the shareholders shall be obtained at the extraordinary general meeting.

On 24 March 2021, the Company and the holders of the Convertible Bonds entered into the extension agreements regarding i) to extend the maturity date of the Convertible Bonds for one year from 25 March 2021 to 25 March 2022; and ii) extend the long stop date of the Supplemental Agreements to 24 April 2021, with all the terms and conditions of the Convertible Bonds and Supplemental Agreements remain unchanged. The proposed amendments to the maturity date of the Convertible Bonds shall be approved by the Stock Exchange and also the approval from the shareholders shall be obtained at the extraordinary general meeting.

Further details of the issuance of Convertible Bonds and proposed amendments to the terms and conditions of the Subscription Agreement of the Convertible Bonds are set out in the announcements of the Company dated 31 December 2018, 1 February 2019, 20 February 2019, 25 March 2019, 20 June 2019, 30 March 2020, 10 September 2020, 15 October 2020, 30 October 2020, 13 November 2020, 27 November 2020, 11 December 2020, 31 December 2020, 15 January 2021, 29 January 2021, 22 February 2021, 19 March 2021, 24 March 2021 and 26 April 2021 and the circular of the Company dated 30 January 2019.

## Capital Raising

On 4 December 2019, the Company entered into a placing agreement with a sole placing agent pursuant to which the sole placing agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to 180,000,000 placing shares at a placing price of HKD0.25 per placing share under general mandate. The placing was completed on 3 January 2020. An aggregate of 180,000,000 placing shares, representing approximately 9.09% of the total issued share capital of the Company immediately after the completion of placing on 3 January 2020, were allotted and issued to not less than six placees at the placing price of HKD0.25 per placing share.

The actual net proceeds from the placing, after deduction of the placing agent's commission for the placing and other related expenses, amounted to approximately HKD44,097,000. During the Reporting Period, the net proceeds have been fully utilised to repay i) the principal and accrued interest of other loans in the amount of approximately HKD38,000,000 and ii) interest of the Convertible Bonds in the amount of approximately HKD6,097,000.

Further details of the placing of new shares are set out in the announcements of the Company dated 4 December 2019, 10 December 2019, 3 January 2020 and 8 January 2020.

Save as disclosed in this announcement, the Group did not have other capital raising activity during the Reporting Period.

## Material Acquisition and Disposal

There were no material acquisition and disposal of subsidiaries and associated companies by the Group for the year ended 31 December 2020.

## Sale and Leaseback Transactions

On 29 November 2019, Huaneng Tiancheng Financial Leasing Co., Ltd.\* (華能天成融資租賃有限公司) (the “**Lessor**”) and Hongsong, an indirectly non wholly-owned subsidiary of the Company (the “**Lessee**”), entered into a series of sale and leaseback agreements (the “**Sale and Leaseback Agreements**”), pursuant to which, among other things, the Lessor agreed to purchase from the Lessee certain wind power generators, ancillaries, buildings and land use rights (the “**Leased Assets**”) of the operation of a wind farm in Chengde City, Hebei Province, the PRC, at an aggregate consideration of RMB1,800,000,000, which shall be leased back to the Lessee with lease periods range from 5 to 13 years as stipulated in each of the Sale and Leaseback Agreements. Upon expiry of the lease term of each of the Sale and Leaseback Agreements, the Lessee can purchase the Leased Assets at a consideration of RMB20,000. The total purchase consideration for the Leased Assets shall be RMB100,000 in aggregate. The total consideration of the Leased Assets of RMB1,800,000,000 represents a premium of approximately 9.5% over the appraised value of the Leased Assets of approximately RMB1,644,500,000 as at 31 October 2019 as appraised by an independent valuer.

During the lease periods of the Sale and Leaseback Agreements, the ownership of the Leased Assets will be vested in the Lessor. The Lessee shall have the right to possess and use the Leased Assets. In accordance with the requirements of HKFRSs, the sale and leaseback transactions shall be accounted for as a financing transaction and therefore would not give rise to any gain or loss, or reduction in value of the Leased Assets. The Sale and Leaseback Agreements was approved, confirmed and ratified at the extraordinary general meeting held on 13 January 2020. During the Reporting Period, partial consideration of RMB1,260,000,000 has been paid by the Lessor, and the Lessee is in negotiation with the Lessor for the payment of the remaining balances of the consideration.

Further details are set out in the announcements of the Company dated 29 November 2019 and 28 December 2020, and the circular of the Company dated 24 December 2019.

### **Pledge of Assets**

As at 31 December 2020, the Group has pledged certain property, plant and equipment and certain leasehold land including in right-of-use assets with a carrying value of approximately RMB1,043,926,000 (31 December 2019: approximately RMB273,629,000), and trade and other receivables with a carrying value of approximately RMB289,718,000 (31 December 2019: approximately RMB265,840,000) as security for the borrowings obtained by the Group. As at 31 December 2020 and 31 December 2019, the issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

### **Contingent Liabilities**

As at 31 December 2020 and 31 December 2019, the Group had no material contingent liabilities.

### **Employees**

As at 31 December 2020, the Group had approximately 125 full-time employees (2019: approximately 130 employees) in Hong Kong and the PRC in respect of the Group's operations. For the year ended 31 December 2020, the relevant staff costs (including Directors' remuneration) were approximately RMB39,152,000 (2019: approximately RMB42,764,000). The Group's remuneration and bonus packages were given based on performance of employees in accordance with the general standards of the Group's salary policies.

The Board adopted a share option scheme on 1 June 2015. During the year ended 31 December 2020, no share options were granted under the share option scheme and no share options were outstanding as at 31 December 2020.

## **BUSINESS OVERVIEW**

### **Wind farm operations**

For the year ended 31 December 2020, the revenue from the wind farm operations amounted to approximately RMB346,401,000 (2019: approximately RMB361,683,000), representing a decrease of approximately 4% from that of year ended 31 December 2019. The segment profit from the wind farm operations was approximately RMB68,944,000 (2019: approximately RMB76,350,000), representing a decrease of approximately 10% from that of year ended 31 December 2019.

### ***Hongsong's wind farm projects***

The construction of the Phase 9 Project – The Yuanhui Project of Hongsong had been completed in December 2013. Hongsong currently has an installed capacity of 398.4 MW, and its wind farm operated in a steady and stable status in 2020 which made entire contribution to the Group's revenue from wind farm operations for the year ended 31 December 2020.

### ***Baotou Yinfeng's wind farm projects***

Baotou City Yinfeng Huili New Energy Investment Limited\* (“**Baotou Yinfeng**”) is a subsidiary of the Company, which possesses a wind farm in Baotou City of Inner Mongolia with the 49.8 MW of the Phase 1 Project. In October 2015, Baotou Yinfeng received the relevant project approval from Baotou City's government for its Phase 1 Project. Baotou Yinfeng Phase 1 Project is currently under construction and is expected to contribute to the Group's future revenue from the operation of wind farm.

## **FUTURE PROSPECTS**

The PRC government has unswervingly implemented the new concept of green development. By taking green development as a guide, China would actively build a modern economic system, accelerate the development of energy-saving and environmental protection industries, vigorously develop clean energy, improve the level of utilization of clean energy and promote comprehensive conservation and recycling of resources.

The PRC Government has provided support to the development of wind power industry in various aspects, and with initial success as exemplified in the increasing shares of wind power in total energy consumption in different regions. The development of wind power is of great significance in adjusting the country's energy structure. Given the serious problem of smog in the PRC, the development of clean energy has become an inevitable trend, in which wind power will serve as one of the most critical segments in the development of clean energy.

Despite the economic slowdown of PRC caused by COVID-19 pandemic, the overall momentum of economic development in the PRC remains stable and positive in the longrun.

Looking ahead, the Group will continue to strengthen its wind farm operation business. With the advantage of a secured development environment in general and the increased level of attention to wind power by the public, the Company is expected to have a bright development prospect.

In respect of the business growth of the Group in the coming year, the Group will continue to focus its resources on the development and operation of wind farms and is determined to become one of the pillars of the renewable energy industry in northern China. The Group will continue to seek opportunities to develop its renewable energy business in other new areas of clean energy apart from wind power by way of cooperative development and acquisitions. The Group will continue to identify and acquire mature power plants with promising development prospects, in order to strengthen the existing wind farm operation and maintenance business in northern China and gradually extend the business to the surrounding areas as well as enhance the interaction between other sectors of the industry. The Group will consider other possible opportunities of mergers and acquisitions.

The National Energy Administration of China stated that China would accelerate the development of renewable energy during the 14th Five-Year Plan period for 2021 to 2025, with renewable power accounting for over half of total installed capacity by 2025.

As the requirements on environmental and ecological protection become more stringent, clean energy consumption in the PRC gains importance under the 14th Five-Year Plan and the Group has been searching for investment opportunities in other clean energy sectors.

The Group is actively seeking opportunities to expand its business scope to hydrogen related businesses including production of hydrogen vehicles, wind power to hydrogen generation, hydrogen storage and building and operation of hydrogen fuel station. It is believed that such expansion is in line with the climates commitments of the central government of the PRC to achieve peak carbon emissions before 2030 and carbon neutrality by 2060.

In the long-run, the Group will focus its effort on the development and optimisation of existing renewable energy resources. Paralleled to the expansion of wind farm's operational scale and the enhancement of efficiency, the Group will integrate the advantages of all cooperating parties and its own in order to explore more development opportunities in other new areas of clean energy and further consolidate the Group's position in the industry of renewable energy. During the course of business integration and resources integration, possible synergistic opportunities among different business segments will be explored for their expansions and growth in revenues and profits. The Group is committed to becoming a renewable energy supplier and integrated service provider with relatively strong competitiveness, establishing a stable and comprehensive foundation for the long term growth of the Group, creating more value for the society, and seeking higher returns for the Company's shareholders and investors.



## CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance in order to raise the quality of management and protect the interests of shareholders of the Company as a whole. To honor these commitments, the Group believes that good corporate governance reflects that a responsible enterprise must be credit worthy and transparent and abide by a high level of code of practice. Accordingly, the Company has adopted and applied corporate governance principles that emphasise a quality Board, effective internal controls, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

## CORPORATE GOVERNANCE CODE

For the Reporting Period, the Company has adopted and complied with the code provisions (the “**Code Provision(s)**”) set out in the Corporate Governance Code (the “**Code**”) in Appendix 14 to the Listing Rules, except for the deviations from Code Provisions as described below:

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other pre-arranged business commitments which must be attended by the Directors, Mr. Ning Zhongzhi, Mr. Li Tian Hai, Mr. Peng Ziwei, Mr. Qu Weidong and Ms. Hu Xiaolin, did not attend the annual general meeting held during the year ended 31 December 2020.

Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. As at the date of this announcement, there has been no chairman of the Board (the “**Chairman**”) in the Company. Mr. Zhang Zhixiang acted as the Chief Executive Officer of the Company, and is responsible for all day-to-day corporate management matters. The Board does not have the intention to fill the position of the Chairman at present and believes that the absence of the Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the Board. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of the Chairman. Appointment will be made to fill the post to comply with Code Provision A.2.1 of the Code if necessary.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries with all the Directors and all the Directors confirmed that they had complied with the practice as contained in the Model Code and the aforesaid code of conduct adopted by the Company for the year ended 31 December 2020.

Senior management and those staff who are more likely to be in possession of unpublished price-sensitive information, inside information or other relevant information in relation to the Group have adopted rules based on the Model Code. These senior management and staff have been individually notified and advised about the Model Code by the Company. No incident of non-compliance of the Model Code by relevant senior management members was noted by the Company during the year ended 31 December 2020.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors, namely Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin, and Mr. Jiang Senlin is the chairman of the Audit Committee. The annual results of the Company for the year ended 31 December 2020 and this announcement has been reviewed by the Audit Committee before being presented to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement has complied with the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **IMPORTANT EVENTS OCCURRED SINCE THE END OF THE REPORTING PERIOD**

- (a) On 29 January 2021, 179,900,000 share options to subscribe for a total of 179,900,000 new ordinary shares of HK\$0.01 each of the Company were granted under the Company's share option scheme approved and adopted on 1 June 2015. Further details are set out in the announcement of the Company dated 29 January 2021.
- (b) On 29 January 2021, the Company and the holders of the Convertible Bonds entered into the Supplemental Agreements. Please refer to “Issuance of Convertible Bonds” above for details.

- (c) On 3 March 2021, the Company entered into a warrant placing agreement with a placing agent (the “**Placing Agent**”) in connection with the warrant placing, pursuant to which the Placing Agent has agreed to place, on a best effort basis, up to 395,828,160 warrants conferring rights to subscribe for up to 395,828,160 warrants share at the initial warrant exercise price of HK\$0.205 per warrant share (subject to adjustment) to the warrant placee(s). Each warrant carries the right to subscribe for one warrant share. Further details are set out in the announcement of the Company dated 3 March 2021.
- (d) On 24 March 2021, in accordance with the terms and conditions of the Convertible Bonds, the Supplemental Agreements and Subscription Agreements, the Company and the Bondholders entered into extension agreements to (i) extend the term of the Convertible Bonds for one year from 25 March 2021 to 25 March 2022; and (ii) extend the long stop date of the Supplemental Agreements to 24 April 2021, with all the terms and conditions of the Convertible Bonds and Supplemental Agreements remain unchanged. Please refer to “Issuance of Convertible Bonds” above for details.

## **REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2020 have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary results announcement.

## **EXTRACT OF INDEPENDENT AUDITORS’ REPORT**

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020, an extract of which is as follows:

### **QUALIFIED OPINION**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by the HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS FOR QUALIFIED OPINION**

### **1. Interest in an associate**

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the interest in an associate on the consolidated statement of financial position of approximately RMBNil as at 31 December 2020, and to the related share of loss of an associate on the consolidated statement of profit or loss of approximately RMB92,803,000 for the year ended 31 December 2020.

### **2. Amount due from an associate**

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the amount due from an associate included in the prepayments and other receivables on the consolidated statement of financial position of approximately RMBNil as at 31 December 2020, and to the expected credit losses on amount due from an associate on the consolidated statement of profit or loss of approximately RMB29,187,000 for the year ended 31 December 2020.

### **3. Other receivables**

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of certain other receivables included in the prepayments and other receivables on the consolidated statement of financial position of approximately RMB78,423,000 as at 31 December 2020. There are no other satisfactory audit procedures that we could adopt to determine whether the expected credit losses on other receivables of approximately RMBNil for the year ended 31 December 2020 are properly recognised.

Any adjustments to the figures as described from points 1 to 3 above might have a consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2020, and on the Group's financial position as at 31 December 2020 and the related disclosures thereof in the consolidated financial statements.

## **INFORMATION OF INTEREST IN AN ASSOCIATE AND AN AMOUNT DUE FROM AN ASSOCIATE INCLUDED IN QUALIFIED OPINION**

Please refer to “Share of losses of associates” above for details.

## **INFORMATION OF THE OTHER RECEIVABLES INCLUDED IN QUALIFIED OPINION**

Reference is made to the announcement of the Company dated 13 April 2018 and 3 May 2018 in relation to the equipment purchase agreements of certain machinery and equipment (the “**Equipment**”) for the construction project of a wind farm in the PRC entered into between Baotou Yinfeng and one of the suppliers, Suzlon Energy (Tianjin) Limited\* (the “**Supplier**”). The Group has paid approximately RMB132,000,000 to the Supplier in previous years as consideration of the Equipment. The Supplier was subsequently in financial difficulties and its production was suspended, thus the Supplier was unable to deliver the Equipment to Baotou Yinfeng. The Group has continuously demanded repayment from the Supplier but in vain. The Group has recorded loss on remeasurement of other receivables to fair value of approximately RMB18,000,000 for the year ended 31 December 2019.

During the Reporting Period, Baotou Yinfeng commenced legal proceedings in the PRC against the Supplier for partial consideration paid. The PRC court has ruled that the Supplier should return a sum of approximately RMB36,000,000 to Baotou Yinfeng for the failure to deliver the Equipment. As at 31 December 2020, other receivables due from the Supplier amounted to approximately RMB78,423,000. The Group is in the process of seeking legal advice in the PRC on further legal action against the Supplier for the remaining consideration paid.

## **PUBLICATION OF 2020 ANNUAL REPORT**

The 2020 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at <http://www.c-ruifeng.com> and the “HKEXnews” website of the Stock Exchange at <http://www.hkexnews.hk> in due course.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Company's shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 pending the publication of an announcement in respect of the annual results of the Group for the year ended 31 December 2020. Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 17 May 2021.

*For the purpose of this announcement, unless otherwise specified or the context requires otherwise, "\*" denotes an English translation of a Chinese name and is for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

By order of the Board of  
**China Ruifeng Renewable Energy Holdings Limited**  
**Zhang Zhixiang**  
*Executive Director and Chief Executive Officer*

Hong Kong, 14 May 2021

*As at the date of this announcement, the executive Directors are Mr. Zhang Zhixiang (Chief Executive Officer), Mr. Ning Zhongzhi, Mr. Li Tian Hai and Mr. Peng Ziwei; and the independent non-executive Directors are Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin.*