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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021.

These unaudited interim condensed consolidated financial statements have been reviewed by the Company's auditor, Zhonghui Anda CPA Limited, and the Audit Committee, and approved by the Board on 31 August 2022.

### RESULTS HIGHLIGHTS

	For the six months ended 30 June 2022 RMB'000 (Unaudited)	For the six months ended 30 June 2021 RMB'000 (Unaudited)	% of Changes
<b>Continuing operation</b>			
Revenue			
— Solar power generation	170,684	364,493	(53.2%)
<b>Discontinued operation</b>			
Revenue			
— Manufacturing and sales of LED products	—	313,641	N/A
Gross profit from continuing operation	110,790	179,968	(38.4%)
Loss for the period	(195,974)	(38,921)	(403.5%)
Basic loss per share from continuing operation	RMB(3.89) cents	RMB(2.38) cents	(63.4%)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>CONTINUING OPERATION</b>			
Revenue	3	170,684	364,493
Cost of sales		<u>(59,894)</u>	<u>(184,525)</u>
Gross profit		110,790	179,968
Other income	5	8,989	14,280
Other gains and losses, net	6	(118,356)	9,260
Impairment losses under expected credit loss model, net of reversal		64,277	2,559
Administrative expenses		(42,533)	(36,985)
Share of profits of associates		1,736	1,539
Finance costs	7	<u>(218,778)</u>	<u>(289,567)</u>
Loss before income tax	8	(193,875)	(118,946)
Income tax expenses	9	<u>(2,099)</u>	<u>(486)</u>
Loss for the period from continuing operation		<u>(195,974)</u>	<u>(119,432)</u>
<b>DISCONTINUED OPERATION</b>			
Profit for the period from discontinued operation		<u>—</u>	<u>80,511</u>
Loss for the period		<u>(195,974)</u>	<u>(38,921)</u>
<b>Other comprehensive income:</b>			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		<u>—</u>	<u>77</u>
Other comprehensive income for the period		<u>—</u>	<u>77</u>
Total comprehensive expenses for the period		<u><u>(195,974)</u></u>	<u><u>(38,844)</u></u>

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	RMB'000
		<b>(unaudited)</b>	(unaudited)
<b>(Loss)/profit for the period attributable to:</b>			
<b>Owners of the Company</b>			
Loss from continuing operation		<b>(193,681)</b>	(118,664)
Profit from discontinued operation		<u>—</u>	<u>47,888</u>
		<b><u>(193,681)</u></b>	<b><u>(70,776)</u></b>
<b>Non-controlling interests</b>			
Loss from continuing operation		<b>(2,293)</b>	(768)
Profit from discontinued operation		<u>—</u>	<u>32,623</u>
		<b><u>(2,293)</u></b>	<b><u>31,855</u></b>
		<b><u><u>(195,974)</u></u></b>	<b><u><u>(38,921)</u></u></b>
<b>Total comprehensive (expenses)/income attributable to:</b>			
Owners of the Company		<b>(193,681)</b>	(70,669)
Non-controlling interests		<u>(2,293)</u>	<u>31,825</u>
		<b><u>(195,974)</u></b>	<b><u>(38,844)</u></b>
<b>Loss per share</b>			
<b>From continuing and discontinued operations</b>			
– Basic (RMB cents)	<i>11</i>	<b><u>(3.89)</u></b>	<b><u>(1.42)</u></b>
– Diluted (RMB cents)		<b><u>(3.89)</u></b>	<b><u>(1.42)</u></b>
<b>From continuing operation</b>			
– Basic (RMB cents)	<i>11</i>	<b><u>(3.89)</u></b>	<b><u>(2.38)</u></b>
– Diluted (RMB cents)		<b><u>(3.89)</u></b>	<b><u>(2.38)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>28,054</b>	27,966
Right-of-use assets		<b>40,660</b>	41,703
Solar power plants		<b>1,212,436</b>	1,202,669
Intangible assets		<b>118,932</b>	126,549
Interest in associates		<b>37,845</b>	36,109
Interests in a joint venture		—	—
Financial assets at fair value through profit or loss (“FVTPL”)		<b>1,000</b>	1,000
Other non-current assets		<b>24,604</b>	23,033
Value-added tax recoverable – non-current		<b>22,901</b>	97,997
		<b>1,486,432</b>	1,557,026
<b>Current assets</b>			
Trade and other receivables	<i>13</i>	<b>1,023,550</b>	1,036,131
Receivables at FVTOCI		<b>915</b>	1,180
Value-added tax recoverable		<b>11,703</b>	18,409
Prepayments to suppliers		<b>3,637</b>	3,998
Amounts due from the related parties		<b>989,371</b>	1,599,840
Tax recoverables		—	76
Restricted bank deposits		<b>13,945</b>	6,882
Bank balances and cash		<b>487,717</b>	55,676
		<b>2,530,838</b>	2,722,192
Assets classified as held for sale	<i>12</i>	<b>1,178,755</b>	2,473,320
		<b>3,709,593</b>	5,195,512

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Current liabilities</b>			
Trade and other payables	14	670,791	542,859
Amounts due to the related parties		818,390	1,619,538
Lease liabilities		4,453	11,534
Provisions		219,090	201,017
Tax liabilities		915	—
Bank and other borrowings		1,598,013	1,596,234
Convertible bonds		32,427	37,376
Bond payables		585,372	585,372
		<u>3,929,451</u>	<u>4,593,930</u>
Liabilities directly associated with assets held for sale	12	820,094	1,581,198
		<u>4,749,545</u>	<u>6,175,128</u>
<b>Net current liabilities</b>		<u>(1,039,952)</u>	<u>(979,616)</u>
<b>Total assets less current liabilities</b>		<u>446,480</u>	<u>577,410</u>
<b>Non-current liabilities</b>			
Bank and other borrowings		322,782	318,646
Loan from a related company		626,861	599,301
Lease liabilities		19,596	13,228
Convertible bonds		550,757	525,957
		<u>1,519,996</u>	<u>1,457,132</u>
<b>Net liabilities</b>		<u>(1,073,516)</u>	<u>(879,722)</u>
<b>Capital and reserves</b>			
Share capital		40,756	40,756
Reserves		(1,208,756)	(1,015,075)
Total equity attributable to owners of the Company		(1,168,000)	(974,319)
Non-controlling interests		94,484	94,597
<b>Total equity</b>		<u>(1,073,516)</u>	<u>(879,722)</u>

# NOTES OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2021 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2021.

The Group incurred loss of RMB195,974,000 and RMB38,921,000 respectively for two consecutive period of six months ended 30 June 2022 and 2021, and the Group had net current liabilities of RMB1,039,952,000 and net liabilities of RMB1,073,516,000 as at 30 June 2022. As at 30 June 2022, the Group had bank and other borrowings, convertible bonds and bond payables totaling RMB2,215,812,000 repayable within one year or on demand. In addition, as at 30 June 2022, the Group had overdue bank and other borrowings and bonds payable of approximately RMB1,050,994,000 and RMB585,372,000 respectively.

Further, two bondholders initiated an arbitration with the Group through Shanghai Arbitration Commission for the settlement of the outstanding principal and accrued bond interest immediately. A freezing order (the “**Freezing Order**”) was issued by the Changzhou Intermediate People’s Court of Jiangsu Province upon the application by the two bondholders and accordingly, the equity interests of certain subsidiaries including 95% equity interest of Xinjiang Tianli Enze Solar Technology Co., Ltd. (新疆天利恩澤太陽能科技有限公司) (“**Xinjiang Tianli**”), 100% equity interest of Jiangsu Shunyang New Energy Industrial Park Development Co., Ltd. (江蘇順陽新能源產業園發展有限公司), 100% equity interest of Jiangxi Shunfeng Photovoltaic Investment Co., Ltd. (江西順風光電投資有限公司) (“**Jiangxi Shunfeng**”) and 100% equity interest of Turpan Shunfeng Clean Energy Investments Limited (吐魯番順風清潔能源投資有限公司) (collectively referred to as the “**Frozen Subsidiaries**”) have been put under the Freezing Order. In August 2022, the above proceedings have not yet been completed in the Shanghai Arbitration Commission.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company continue to implement a series of plans and measures to improve the Group’s liquidity and financial position, which include but not limited to the following:

- (i) progressing the collection of the remaining sale proceeds in respect of the disposals of subsidiaries (note 13);
- (ii) completing the disposals of 4 Target Companies (as defined in note 12);

- (iii) completing disposal of subsidiaries;

On 29 June 2022, Sino Alliance Capital Limited (the “**Purchaser**”), an independent third party, entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Shunfeng Photovoltaic Holdings Limited (the “**Vendor**”), a wholly-owned subsidiary of the Company, Xinjiang Pu Xin Cheng Da Energy Technology Limited (“**Xinjiang Pu Xin Cheng Da**”), an indirect wholly-owned subsidiary of the Company, Jiangxi Shunfeng, an indirect wholly-owned subsidiary of the Company, Shunfeng Photovoltaic Investments (China) Company Limited, an indirect wholly-owned subsidiary of the Company, and the Company, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase entire equity interests in the subsidiaries (the “**Target Equity Interest**”) at an aggregate consideration of approximately RMB664.3 million (the “**Consideration**”).

Target Equity Interest includes an entity to be incorporated in the British Virgin Islands whose equity interest is to be transferred to the Purchaser pursuant to the Sale and Purchase Agreement and will hold 100% equity interest in Xinjiang Pu Xin Cheng Da through a newly established holding company in Hong Kong.

The Consideration payable by the Purchaser is approximately RMB664.3 million (equivalent to approximately HK\$777.5 million), including the following:

- The Consideration will be settled by setting off RMB527,953,000 (equivalent to HK\$622,557,000) of outstanding principal of debts owed by the Vendor to the Purchaser on the date of completion of disposal.
- the Purchaser has agreed to waive the remaining outstanding principal and interest owed by the Vendor to the Purchaser at the date of completion. As at 30 June 2022, the remaining outstanding principal and interest owed by the Vendor to the Purchaser are RMB32,847,000 (equivalent to HK\$38,444,000) and RMB99,708,000 (equivalent to HK\$116,699,000), respectively, and the amounts will be updated at the date of completion.

- (iv) continuing to negotiate with creditors, banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates.

## 2. **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The application of these new and revised IFRSs will not have material impact on the financial statements of the Group. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

### 3. REVENUE

#### Disaggregation of revenue

##### A. Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022	2021
Revenue from sales of electricity	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Types of goods or service</b>		
Sales of electricity	47,482	106,808
Tariff subsidies	123,202	257,685
<b>Total</b>	<b>170,684</b>	<b>364,493</b>
<b>Geographical markets</b>		
Mainland China	170,684	364,493
<b>Timing of revenue recognition</b>		
A point in time	170,684	364,493

### 4. SEGMENT INFORMATION

Information has been reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. During the six months ended 30 June 2021, manufacturing and sales of LED Products were presented as discontinued operation. The Group's reportable and operating segments in respect of continuing operation for both periods is solar power generation in the PRC only.



## Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

### *Continuing operation*

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Segment revenue		
External sales	47,482	106,808
Tariff subsidies	<u>123,202</u>	<u>257,685</u>
	<b>170,684</b>	<b>364,493</b>
<b>Segment (loss)/profit</b>	<b><u>(2,313)</u></b>	<b><u>191,766</u></b>
Unallocated income		
— Bank interest income	2,535	459
Unallocated expenses		
— Central administration costs	(10,682)	(10,503)
— Finance costs	(218,778)	(289,567)
Loss allowance recognised on financial guarantee contracts for a joint venture	(7,756)	(8,292)
Loss allowance reversed/(recognised) on amounts due from the related parties and other receivables	41,383	(4,348)
Share of profits of associates	<u>1,736</u>	<u>1,539</u>
Loss before tax	<b><u>(193,875)</u></b>	<b><u>(118,946)</u></b>

Amounts included in the measure of segment (loss)/profit:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Impairment loss on assets classified as held for sale	(26,959)	—
Reversal/(provision) of impairment loss on solar power plants	49,802	(17,672)
Impairment loss on trade and other receivables, contract assets and financial guarantee contract, net	<b><u>31,414</u></b>	<b><u>15,199</u></b>

## 5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Continuing operation</b>		
Bank interest income	2,535	459
Government grants <i>(Note (i))</i>	—	200
Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets <i>(Note (ii))</i>	5,414	12,256
Others	1,040	1,365
	<u>8,989</u>	<u>14,280</u>

### Notes:

- (i) The government grants represent the amount received from the local government for supporting the development of the energy industry in Zhangjiakou City, Hebei Province, the PRC.
- (ii) The imputed interest income is released to other income, as a result of the significant financing component on sales of electricity in the PRC. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidies, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

## 6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Continuing operation</b>		
Impairment loss on assets classified as held for sale ( <i>Note 12</i> )	(26,959)	—
Reversal/(provision) of impairment loss on solar power plants ( <i>Note (i)</i> )	49,802	(17,672)
Loss on disposal of subsidiaries ( <i>Note 15</i> )	(21,131)	—
Net foreign exchange (loss)/gain	(109,967)	26,932
Penalty	(7,378)	—
Others	(2,723)	—
	<u>(118,356)</u>	<u>9,260</u>

Notes:

- (i) The Group carried out reviews of the recoverable amount of its solar power plants in 2022 as a result of the change of the markets conditions. The reviews led to the recognition of a reversal of impairment loss of RMB49,802,000 (30 June 2021: impairment loss of RMB17,672,000), that has been recognised in profit or loss.

## 7. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Continuing operation</b>		
Interest on bank and other borrowings	133,703	233,744
Interest on loan from a related company	23,008	—
Interest on lease liabilities	477	516
Interest on other payables	3,623	—
Effective interest on convertible bonds	35,452	31,665
Effective interest on bond payables	22,515	23,730
	<u>218,778</u>	<u>289,655</u>
Total borrowing costs	218,778	289,655
Less: amounts capitalised	—	(88)
	<u>218,778</u>	<u>289,567</u>

During the six months ended 30 June 2021, borrowing costs capitalised arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.43% per annum to expenditure on qualifying assets.

## 8. LOSS BEFORE INCOME TAX

### Continuing operation

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Loss before tax has been arrived at after charging/(crediting):		
Staff costs (including directors' remuneration)	13,995	15,746
Retirement benefit scheme contributions	2,323	1,089
Total staff costs	16,318	16,835
Impairment loss on assets classified as held for sale	26,959	—
(Reversal)/provision of impairment loss on solar power plants	(49,802)	17,672
Depreciation of property, plant and equipment	534	406
Depreciation of completed solar power plants	41,536	145,158
Depreciation of right-of-use assets	2,599	4,911
Amortisation of intangible assets	7,617	245

## 9. INCOME TAX EXPENSES

### Continuing operation

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT")		
Current period	1,843	887
Under/(Over) provision in prior periods	256	(401)
Income tax expense	2,099	486

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for both periods.

Certain subsidiaries of the Group, being enterprises engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived.

The remaining subsidiaries of the Company established in the PRC are subject to PRC EIT rate of 25% for both periods.

## 10. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2022 and 2021. The directors have determined that no dividend will be paid in respect of the current interim period.

## 11. LOSS PER SHARE — BASIC AND DILUTED

### (a) Basic loss per share

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>(i) From continuing and discontinued operations</b>		
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	<u>(193,681)</u>	<u>(70,776)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>4,982,375,490</u>	<u>4,982,375,490</u>
Loss per share from continuing and discontinued operations	<u>(3.89)</u>	<u>(1.42)</u>
<b>(ii) From continuing operation</b>		
Loss for the period attributable to owners of the Company from continuing operation for the purposes of basic loss per share	<u>(193,681)</u>	<u>(118,664)</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>4,982,375,490</u>	<u>4,982,375,490</u>
Loss per share from continuing operation	<u>(3.89)</u>	<u>(2.38)</u>
<b>(iii) From discontinued operation</b>		

For the six months ended 30 June 2021, basic and diluted earnings per share for the discontinued operation was RMB0.96 cent per share, based on the profit for the period attributable to owners of the Company from discontinued operation of RMB47,888,000 and the denominators detailed above for both basic and diluted earnings per share.

**(b) Diluted loss per share**

As the exercise of the Group's outstanding convertible bonds for both years would be anti-dilutive, diluted loss per share was presented the same as basic loss per share in both periods.

**12. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE**

The major classes of assets and liabilities of the 4 Target Companies (defined in note (i)) and the 2 Target Companies (defined in note (ii)) as at 30 June 2022, which have been presented separately in the consolidated statement of financial position as held for sale, are as follows:

**As at 30 June 2022**

	<b>4 Target companies</b> <i>(note (i))</i> <i>RMB'000</i> (unaudited)
Property, plant and equipment	567
Right-of-use assets	13,927
Solar power plants	672,463
Other non-current assets	17,451
Value-added tax recoverable	8,556
Trade and other receivables	488,287
Prepayments to suppliers	663
Restricted bank deposits	3,767
Bank balances and cash	33
	<hr/>
	1,205,714
Impairment loss recognised on assets classified as held for sale	(26,959)
	<hr/>
Total assets classified as held for sale	1,178,755
	<hr/> <hr/>
Trade and other payables	162,714
Lease liabilities	888
Tax liabilities	928
Bank and other borrowings	655,564
	<hr/>
Total liabilities associated with assets classified as held for sale	820,094
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As at 31 December 2021

	<b>5 Target companies</b> <i>(note (i))</i> <i>RMB '000</i> <i>(audited)</i>	<b>2 Target Companies</b> <i>(note (ii))</i> <i>RMB '000</i> <i>(audited)</i>	<b>Total</b> <i>RMB '000</i> <i>(audited)</i>
Property, plant and equipment	583	97	680
Right-of-use assets	20,510	10,596	31,106
Solar power plants	822,700	675,351	1,498,051
Other non-current assets	53,995	11,401	65,396
Value-added tax recoverable	51,821	59,740	111,561
Trade and other receivables	507,960	349,108	857,068
Prepayments to suppliers	925	107	1,032
Restricted bank deposits	4,295	6,905	11,200
Bank balances and cash	35	19	54
	<u>1,462,824</u>	<u>1,113,324</u>	<u>2,576,148</u>
Impairment loss recognised on assets classified as held for sale	<u>(65,065)</u>	<u>(37,763)</u>	<u>(102,828)</u>
Total assets classified as held for sale	<u><u>1,397,759</u></u>	<u><u>1,075,561</u></u>	<u><u>2,473,320</u></u>
Trade and other payables	189,758	106,551	296,309
Lease liabilities	2,953	—	2,953
Tax liabilities	717	—	717
Bank and other borrowings	712,159	569,060	1,281,219
Total liabilities associated with assets classified as held for sale	<u><u>905,587</u></u>	<u><u>675,611</u></u>	<u><u>1,581,198</u></u>

The following assets included in assets classified as held for sale have been pledged to various financial institutions for securing loans and general credit facilities granted to the Group.

	<b>30 June 2022</b> <i>RMB '000</i> <i>(unaudited)</i>	31 December 2021 <i>RMB '000</i> <i>(audited)</i>
Right-of-use assets	<b>706</b>	706
Solar power plants	<b>576,058</b>	604,044
Trade receivables, contract assets and accrued revenue on tariff subsidies	<b>486,697</b>	855,484
Other deposits included in other non-current assets	<u><b>17,451</b></u>	<u>53,875</u>

The Group had pledged certain of its equity interest in 4 Target Companies in order to obtain bank and other borrowings.

(i) **Disposal of the 5 Target Companies**

On 13 August 2021, the Group has entered into five sale and purchase agreements with China Power Investment Xinjiang Energy Chemical Engineering Group Akesu Co., Ltd. (中電投新疆能源化工集團阿克蘇有限公司) (“**China Power Investment**”), an independent third party, pursuant to which the Group has conditionally agreed to sell, and China Power Investment has conditionally agreed to purchase 100% of the equity interests in (i) Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd (保山長山順風尚德新能源有限公司) (“**Baoshan Changshan**”), (ii) Shufu County Junxin Technology Photovoltaic Power Generation Co., Ltd (疏附縣浚鑫科技光伏發電有限公司) (“**Junxin**”), (iii) Kezhou Baishide New Energy Development Co., Ltd (克州百事德新能源開發有限公司) (“**Kezhou Baishide**”), (iv) Yingjisha County Rongxin Tianhe New Energy Co., Ltd (英吉沙縣融信天和新能源有限責任公司) (“**Yingjisha**”); and (v) Wushi Longbai Electricity Investment Co., Ltd (烏什龍柏電力投資有限公司) (“**Wushi Longbai**”) (collectively referred to as the “**5 Target Companies**”). The shareholders of the Company have approved, confirmed and ratified the disposal on 13 December 2021.

The proceeds arising from the disposals of the 5 Target Companies were RMB492,172,000, comprising the following:

- the cash consideration of RMB125,200,000 to be payable by China Power Investment to the Group by three tranches; and
- relevant payables representing the relevant amounts payable by the 5 Target Companies to the Group by two tranches, the timing and amount of payment to the Group of which are conditional upon the completion of the disposal and are subject to adjustment from the result of transitional period audit to be performed by the PRC auditor of the 5 Target Companies. Management of the Company assessed that the relevant payables amounted to approximately RMB366,972,000 as at 31 December 2021.

Disposal of Wushi Longbai was completed during the Period.

The disposals of Baoshan Changshan, Junxin, Kezhou Baishide, and Yingjisha (collectively referred to as the “**4 Target Companies**”) are still underway as at 30 June 2022 as certain conditions precedent had not yet been met.

The proceeds arising from the disposals of the 4 Target Companies were RMB358,661,000, comprising the following:

- the cash consideration of RMB123,870,000 to be payable by China Power Investment to the Group by three tranches; and
- relevant payables representing the relevant amounts payable by the 4 Target Companies to the Group by two tranches, the timing and amount of payment to the Group of which are conditional upon the completion of the disposal and are subject to adjustment from the result of transitional period audit to be performed by the PRC auditor of the 4 Target Companies. Management of the Company assessed that the relevant payables amounted to approximately RMB234,791,000 as at 30 June 2022.



As at 30 June 2022, taking into account the cash consideration payable by China Power Investment to the Group and the relevant payables payable by the 4 Target Companies, the expected total proceeds to be received by the Group was estimated less than the net carrying amounts of the relevant assets and liabilities, and an impairment loss of RMB26,959,000 was recognised in other gains and losses, net to write down the carrying amounts of the relevant assets to fair value less costs of disposal, accordingly.

Details of terms and conditions in respect of payment of consideration and relevant payables to the Group were set out in the circular of the Company “Very Substantial Disposal” dated 24 November 2021.

**(ii) Disposal of the 2 Target Companies**

On 24 September 2021, the Group has entered into two sale and purchase agreements with Zhonghe Huineng Co., Ltd (中核匯能有限公司) (“**Zhonghe Huineng**”), an independent third party, pursuant to which the Group has conditionally agreed to sell, and Zhonghe Huineng has conditionally agreed to purchase 100% of the equity interests in (i) Hebei Sanlong Electricity Technology Co. Ltd. (河北三龍電力科技有限公司) (“**Hebei Sanlong**”) and (ii) Shangyi County Shunneng Photovoltaic Electricity Co., Ltd. (尚義縣順能光伏電力有限公司) (“**Shangyi County Shunneng**”) (collectively referred to as the “**2 Target Companies**”), which owned and operated 2 solar power plants in the PRC. The proceeds arising from the disposals of the 2 Target Companies were RMB399,950,000, comprising the following:

- the cash consideration of RMB170,000,000, to be payable by Zhonghe Huineng to the Group by three tranches; and
- relevant payables representing the relevant amounts payable by the 2 Target Companies to the Group by two tranches, the timing and amount of payment to the Group of which are conditional upon the completion of the disposal and are subject to adjustment from the result of transitional period audit to be performed by the PRC auditor of the 2 Target Companies. Management of the Company assessed that the relevant payables amounted to approximately RMB229,950,000 as at 31 December 2021.

Details of terms and conditions in respect of payment of consideration and relevant payables to the Group were set out in the circular of the Company “Very Substantial Disposal” dated 24 December 2021.

The shareholders of the Company have approved, confirmed and ratified the disposal on 13 January 2022 and the registration for share transfer of the 2 Target Companies has been completed during the Period.

### 13. TRADE AND OTHER RECEIVABLES

	<b>30 June 2022</b>	31 December 2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Trade receivables	26,143	16,294
Accrued revenue on tariff subsidies ( <i>Note (i)</i> )	442,785	373,279
	<u>468,928</u>	<u>389,573</u>
Less: loss allowance recognised	(2,898)	(2,405)
	<u>466,030</u>	<u>387,168</u>
Prepaid expenses	302	957
Other receivables		
Amounts due from independent third parties ( <i>Note (ii)</i> )	11,004	6,009
Consideration receivables for disposal of Wushi Longbai and 2 Target Companies ( <i>Note (iv)</i> )	136,580	—
Consideration receivables for disposal of subsidiaries in previous years ( <i>Note (iii)</i> )	303,405	537,449
Security deposits ( <i>Note (v)</i> )	105,963	101,926
Others ( <i>Note (vi)</i> )	266	2,622
	<u>557,520</u>	<u>648,963</u>
	<u><u>1,023,550</u></u>	<u><u>1,036,131</u></u>

#### Notes:

- (i) The Group's accrued revenue on tariff subsidies are receivables from the state grid company. Generally, trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidies, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company. The collection of accrued revenue on tariff subsidies is expected in the normal operating cycle, which may be recovered after twelve months from the reporting date.

In the opinion of the directors of the Company, the revenue recognition of tariff subsidies is proper based on their judgement and taking into account the opinion from the Group's PRC legal advisor, that the Group's operating solar power plants have qualified for registration in the Catalogue, and have met all the relevant requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that the Group's operating solar power plants are able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidies is fully recoverable upon the allocation of funds from the PRC government.

- (ii) All balances due are unsecured, interest-free and repayable on demand. Management of the Company expects the balances would be settled within the next 12 months after the end of the reporting period.
- (iii) As at 30 June 2022, the amount included consideration receivable from the disposal of the subsidiaries amounting to RMB303,405,000, net of loss allowance of RMB32,770,000 (31 December 2021: RMB537,449,000, net of loss allowance of RMB61,447,000). The amount was non-trade in nature, unsecured, interest-free and repayable within one year.
- (iv) As at 30 June 2022, the amount included consideration receivable from the disposal of Wushi Longbai and 2 Target Companies amounting to RMB136,580,000, net of loss allowance of RMB8,134,000 (note 15).
- (v) The amount represented deposits placed by the Group in the security deposits account opened in the independent financial institution, which was one of the corporate bondholders of one subsidiary of the Group. Pursuant to the maturity notice dated on 15 June 2018, an offsetting right has been granted by the Group to the independent financial institution, allowing it to offset the security deposits against the Group's outstanding corporate bond payable upon the maturity of the corporate bond. The Group and the bondholder have entered into a supplementary agreement to extend the due dates of the remaining outstanding amounts of corporate bond payable to 25 October 2021. As at 30 June 2022, loss allowance of RMB1,537,000 (31 December 2021: RMB5,074,000) was recognised.
- (vi) As at 30 June 2022 and 31 December 2021, balances mainly represented custom deposits and advances to staff for the operational purpose.

The following is an ageing analysis of trade receivables and accrued revenue of tariff subsidies, net of loss allowance, presented based on the electricity transmitted dates, which approximated the respective revenue recognition date, at the end of the reporting period:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
0 to 30 days	<b>25,010</b>	12,502
31 to 60 days	<b>16,167</b>	10,394
61 to 90 days	<b>14,874</b>	12,875
91 to 180 days	<b>30,065</b>	45,385
Over 180 days	<b>379,914</b>	306,012
	<b>466,030</b>	387,168

The Group's trade receivables and accrued revenue on tariff subsidies from the sales of electricity are mainly receivables from the state grid companies. Generally, trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidies, representing 35% to 95% (Six months ended 30 June 2021: 38% to 87%) of total electricity sales during the six months ended 30 June 2022, which is subject to settlement by state grid companies upon finalisation of the allocation of funds by relevant government authorities to the state grid companies.

Pursuant to Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidies has come into force since 2013 and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

#### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Trade payables	5,594	697
Payables for EPC of solar power plants ( <i>Note (i)</i> )	60,259	60,473
Other tax payables	23,111	1,401
Amounts due to independent third parties ( <i>Note (ii)</i> )	3,440	2,716
Interest payables	551,208	446,595
Accrued expenses	10,673	17,804
Accrued payroll and welfare	3,336	2,906
Consideration payable for previous acquisition of subsidiaries ( <i>Note (iii)</i> )	3,047	5,700
Amounts due to disposed subsidiaries	9,854	3,214
Others	269	1,353
	<u>670,791</u>	<u>542,859</u>

*Notes:*

- (i) Amount represented payables incurred for engineering, procurement and construction (“EPC”) of solar power plants. The amounts would be repayable within twelve months after the end of the reporting period and such amounts were therefore classified as current liabilities at the end of the reporting period.
- (ii) As at 30 June 2022 and 31 December 2021, the amounts were non-trade in nature, unsecured, interest-free and repayable on demand.
- (iii) The amounts mainly resulted from the Group’s acquisition of subsidiaries with solar power plants in the prior years, which were unsecured, interest-free and repayable on demand.

The credit period on purchases of goods is 0 to 180 days (31 December 2021: 0 to 180 days) and certain suppliers allow longer credit period on a case-by-case basis. The following is an ageing analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
0 to 30 days	1,206	141
31 to 60 days	1,347	—
61 to 90 days	1,305	—
91 to 180 days	1,180	—
Over 180 days	556	556
	<u>5,594</u>	<u>697</u>

## 15. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of Wushi Longbai

On 13 August 2021, the Group has entered into an sale and purchase agreements with China Power Investment, pursuant to which the Group has conditionally agreed to sell, and China Power Investment has conditionally agreed to purchase 100% of the equity interests in Wushi Longbai, which owned and operated a solar power plant in the PRC. The shareholders of the Company have approved, confirmed and ratified the disposal on 13 December 2021 and the registration for share transfer had been completed on 25 January 2022.

The proceeds arising from the disposals of Wushi Longbai was RMB121,972,000, comprising the following:

- the cash consideration of RMB1,330,000, to be payable by China Power Investment to the Group by three tranches; and
- relevant payables representing the relevant amounts payable by Wushi Longbai to the Group by two tranches. The relevant payables were amounted to RMB120,642,000 as at disposal dates.

Net assets of Wushi Longbai at the date of disposal were as follows:

	<i>RMB'000</i> (unaudited)
Property, plant and equipment	77
Right-of-use assets	6,187
Solar power plants	85,511
Other non-current assets	30,266
Value-added tax recoverable	11,254
Prepayments to suppliers	9
Trade and other receivables	65,231
Bank balances and cash	14
Trade and other payables	(18,234)
Bank and other borrowings	(58,086)
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Net assets disposed of	122,229
Loss on disposal of subsidiaries (*)	(257)
	<hr/>
Consideration receivables from disposal	121,972
	<hr/> <hr/>
Consideration received during the period ended 30 June 2022	
Net cash inflow arising on disposal:	
Cash consideration received	72,320
Cash and cash equivalents disposed of	(14)
	<hr/>
	72,306
	<hr/> <hr/>

\* Loss on disposal of subsidiaries is recognised in other gains and losses, net.

During the six months ended 30 June 2022, consideration amounted to RMB72,320,000 was settled. Consideration receivables of RMB49,652,000 was included in “Trade and other receivables” as at 30 June 2022.

## (b) Disposal of the 2 Target Companies

On 24 September 2021, the Group has entered into two sale and purchase agreements with Zhonghe Huineng, an independent third party, pursuant to which the Group has conditionally agreed to sell, and Zhonghe Huineng has conditionally agreed to purchase 100% of the equity interests in (i) Hebei Sanlong and (ii) Shangyi County Shunneng (collectively referred to as the “**2 Target Companies**”), which owned and operated 2 solar power plants in the PRC.

The shareholders of the Company have approved, confirmed and ratified the disposal on 13 January 2022 and the registration for share transfer of the 2 Target Companies has been completed during the period ended 30 June 2022.

The proceeds arising from the disposals of the 2 Target Companies were RMB393,495,000, comprising the following:

- the cash consideration of RMB153,745,000, to be payable by Zhonghe Huineng to the Group by three tranches; and
- relevant payables representing the relevant amounts payable by the 2 Target Companies to the Group by two tranches. The relevant payables were amounted to RMB239,750,000 as at disposal dates.

Net assets of the 2 Target Companies at the date of disposal were as follows:

	<i>RMB'000</i> (unaudited)
Property, plant and equipment	1,702
Right-of-use assets	10,596
Solar power plants	637,525
Other non-current assets	11,401
Value-added tax recoverable	51,594
Prepayments to suppliers	100
Trade and other receivables	359,911
Bank balances and cash	12
Restricted bank deposits	6,905
Trade and other payables	(97,267)
Bank and other borrowings	(568,110)
	<hr/>
Net assets disposed of	414,369
Loss on disposal of subsidiaries (*)	(20,874)
	<hr/>
Consideration receivables from disposal	393,495
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	298,433
Cash and cash equivalents disposed of	(12)
	<hr/>
	298,421
	<hr/> <hr/>

\* Loss on disposal of subsidiaries is recognised in other gains and losses, net.

During the six months ended 30 June 2022, consideration amounted to RMB298,433,000 was settled. Consideration receivables of RMB95,062,000 was included in “Trade and other receivables” as at 30 June 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group engages one segment of solar power generation in the PRC during the Period, which mainly locate in Xinjiang, Shandong and Jiangsu of the PRC.

### BUSINESS REVIEW

The Group continues to proactively explore various kinds of clean energy resources with an aim to lay a solid foundation for its development into a global leading supplier which provides low-carbon and energy-saving integrated solutions.

#### Solar Power Generation in the PRC

During the Period, the solar power plants in the PRC owned by the Group generated an aggregate of approximately 217,252MWh.

	For the six months ended 30 June		
	2022 MWh	2021 MWh	% of Change
Power generation volume in the PRC	<u>217,252</u>	<u>469,527</u>	<u>(53.7%)</u>

Upon completion of registration for share transfer 3 target companies in respect of the 2021 First Disposals in December 2021 and January 2022, 9 target companies in respect of the Forced Sale in December 2021, 1 target company in respect of the 2021 Third Disposal in December 2021 and 2 target companies in respect of the 2021 Second Disposal in January and February 2022, respectively, the Group's solar power plants in the PRC realised a total installed capacity of on-grid generation of approximately 375MW in the PRC as of 30 June 2022.

#### *Geographical information*

During the Period, the top five customers represented approximately 61.2% of the continuing operation's total revenue, as compared to approximately 65.4% for the corresponding period in 2021. The largest customer accounted for approximately 17.4% of total revenue, as compared to approximately 17.8% for the corresponding period in 2021. The largest customer is State Grid Wulumuqi Electric Power Supply Company, which is one of the state grid branch companies in the PRC to which the Company sells the electricity.

The sales to PRC-based customers represented 100% of total revenue for the Period.



## FINANCIAL REVIEW

### Revenue

#### *Solar power generation in the PRC*

Revenue decreased by RMB193.8 million, or 53.2%, from RMB364.5 million for the corresponding period in 2021 to RMB170.7 million for the Period, primarily due to the completion of registration for share transfer of target companies in connection with solar power plants disposals since July 2021, while there was no such revenue from power generation recognized for the Period. In particular, the completion of registration for share transfer 3 target companies in respect of the 2021 First Disposals in December 2021 and January 2022, 9 target companies in respect of the Forced Sale in December 2021, 1 target company in respect of the 2021 Third Disposal in December 2021 and 2 target companies in respect of the 2021 Second Disposal in January and February 2022, respectively.

Further, the solar power plants of the Group which are located in certain provinces or regions in the PRC were affected by the influence of curtailment on energy generation during the Period, resulting in a decrease in power generation. As a result, the revenue from the power generation in the PRC of the Group decreased by approximately RMB4 million and the power generation volume also recorded an estimated loss of approximately 5,000 MWh for the Period.

### Cost of sales

Cost of sales decreased by RMB124.6 million, or 67.5%, from RMB184.5 million for the corresponding period in 2021 to RMB59.9 million for the Period, primarily because the power generation volume in the PRC decreased by 252,275 MWh, or 53.7% from 469,527 MWh for the corresponding period in 2021 to 217,252 MWh for the Period.

### Gross profit

Gross profit decreased by RMB69.2 million, or 38.4%, from RMB180.0 million for the corresponding period in 2021 to RMB110.8 million for the Period.

### Other income

Other income decreased by RMB5.3 million, or 37.1%, from RMB14.3 million for the corresponding period in 2021 to RMB9.0 million for the Period, primarily due to (i) the imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets decreased by RMB6.9 million from RMB12.3 million for the corresponding period in 2021 to RMB5.4 million for the Period and (ii) the bank interest income increased by RMB2.0 million from RMB0.5 million for the corresponding period in 2021 to RMB2.5 million for the Period.

## **Other gains and losses**

Other gains and losses recorded a net loss of RMB118.4 million for the Period, while a net gain of RMB9.3 million recorded for the corresponding period in 2021, which was primarily due to (i) an impairment loss recognised on assets classified as held for sale of RMB27.0 million recorded for the Period, while there was no such impairment loss recognised for the corresponding period in 2021, (ii) a loss on disposal of subsidiaries of RMB21.1 million recorded for the Period, while there was no such loss on disposal of subsidiaries recorded for the corresponding period in 2021 and (iii) a net foreign exchange gain of RMB26.9 million recorded for the corresponding period in 2021, while a net foreign exchange loss of RMB110.0 million recorded for the Period.

## **Impairment losses under expected credit loss model, net of reversal**

A net of reversal of impairment loss under expected credit loss model recorded RMB64.3 million for the Period, while a net of reversal of impairment loss under expected credit loss model recorded RMB2.6 million for the corresponding period in 2021, which was primarily due to (i) a loss allowance reversed on other receivables recorded RMB16.4 million for the corresponding period in 2021, while a loss allowance reversed on other receivables recorded RMB30.8 million for the Period and (ii) a loss allowance recognised on amounts due from the related parties recorded RMB4.3 million for the corresponding period in 2021, while a loss allowance reversed on amounts due from the related parties recorded RMB42.0 million for the Period.

## **Administrative expenses**

Administrative and general expenses increased by RMB5.5 million, or 14.9%, from RMB37.0 million for the corresponding period in 2021 to RMB42.5 million for the Period.

## **Share of profits of associates**

Share of profits of associates for the Period increased by RMB0.2 million, or 13.0%, from RMB1.54 million for the corresponding period in 2021 to RMB1.74 million for the Period.

## **Finance costs**

Finance costs decreased by RMB70.8 million, or 24.4%, from RMB289.6 million for the corresponding period in 2021 to RMB218.8 million for the Period, which was primarily due to (i) the decrease in interest on bank and other borrowings by RMB100.0 million, or 42.8%, from RMB233.7 million for the corresponding period in 2021 to RMB133.7 million for the Period and (ii) an increase in interest on loan from a related company of RMB23.0 million recorded for the Period, while there was no such interest on loan from a related company recorded for the corresponding period in 2021.

### **Loss before income tax**

Due to the above reasons, loss before income tax increased by RMB75.0 million from RMB118.9 million for the corresponding period in 2021 to RMB193.9 million for the Period.

### **Income tax expense**

Income tax expense increased by RMB1.6 million, or 320.0%, from RMB0.5 million for the corresponding period in 2021 to RMB2.1 million for the Period.

### **Loss for the Period from continuing operation**

As a result of the reasons stated above, the loss for the Period of continuing operation increased by RMB76.6 million from RMB119.4 million for the corresponding period in 2021 to RMB196.0 million for the Period.

### **Trade receivables turnover days**

The trade receivables turnover days as at 30 June 2022 was 452.4 days (31 December 2021: 448.7 days). The increase in turnover days was primarily due to the increase of the tariff subsidies to be received by the Group.

### **Trade payables turnover days**

The trade payables turnover days as at 30 June 2022 was 32.3 days (31 December 2021: 112.3 days). Given the established business relationship and the change in the overall market environment, the Group paid to the suppliers in due course based on the credit terms during the Period.

### **Indebtedness, liquidity, gearing ratio and capital structure**

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings and other borrowings. As at 30 June 2022, the Group's current ratio (current assets divided by current liabilities) was 0.78 (31 December 2021: 0.84) and it was in a negative net cash position.

As at 30 June 2022, the Group was in a negative net cash position of RMB3,228.6 million (31 December 2021: a negative net cash position of RMB3,607.2 million), which included cash and cash equivalents of RMB487.7 million (31 December 2021: RMB55.7 million), bank and other borrowings of RMB1,920.8 million (31 December 2021: RMB1,914.9 million), convertible bonds of RMB583.2 million (31 December 2021: RMB563.3 million), bonds payable of RMB585.4 million (31 December 2021: RMB585.4 million) and loan from a related company of RMB626.9 million (31 December 2021: RMB599.3 million).

The Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from -341.9% as at 31 December 2021 to -242.3% as at 30 June 2022.

During the Period, the Group did not enter into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks (31 December 2021: Nil).

### **Contingent liabilities and guarantees**

As at 30 June 2022, the Group provided guarantees to independent third parties and a related party with a total amount of RMB208.1 million (31 December 2021: RMB190.0 million), of which RMB208.1 million (31 December 2021: RMB190.0 million) was provided for and recognised as provision in the consolidated statement of financial position. As at 30 June 2022, save as disclosed above, the Group had no significant contingent liabilities.

### **Charges on the Group's assets**

At the end of the reporting period, save as restricted bank deposits and the right-of-use assets, the Group had pledged its 100% of equity interest in Shunfeng Photovoltaic Holdings Limited (31 December 2021: 100% of equity interest in Shunfeng Photovoltaic Holdings Limited). Meanwhile, in respect of 13 (31 December 2021: 12) subsidiaries of the Group which operated solar power generation, their entire equity interests and related assets were also pledged in order to obtain bank and other borrowings.

As at 30 June 2022, the Group had pledged certain trade and other receivables and contract assets with carrying amounts of RMB466.6 million (31 December 2021: RMB413.4 million) and solar power plants with carrying amounts of RMB642.6 million (31 December 2021: RMB725.2 million) to various banks and other financial institutions for securing loans and general credit facilities granted to the Group.

As at 30 June 2022, the Group had pledged property, plant and equipment, right-of-use assets and other deposits included in other non-current assets with carrying amounts of RMB24.6 million (31 December 2021: RMB23.0 million).

As at 30 June 2022, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB13.9 million (31 December 2021: RMB6.9 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 30 June 2022 and 31 December 2021, none of the other assets of the Group was pledged in favour of any financial institution.

## Exposure to the fluctuation in exchange rates

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, other receivables, other payables and borrowings are denominated in currencies other than RMB, which exposes the Group to foreign exchange risks. The Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile and control exchange exposure through arrangement of foreign currency forward contracts, and will consider hedging significant foreign currency exposure should the need arise.

## Significant investments held and material acquisitions or disposals

As disclosed in the announcement of the Company dated 24 August 2021, Jiangxi Shunfeng, Shanghai Shunneng and Shenzhen Shangde Solar Power Electricity Co., Ltd.\* (深圳尚德太陽能電力有限公司) entered into seven sale and purchase agreements (the “**2021 First Disposal Sale and Purchase Agreements**”) with China Power Investment, pursuant to which Jiangxi Shunfeng, Shanghai Shunneng and Shenzhen Shangde Solar Power Electricity Co., Ltd. agreed to sell 100% of the equity interests in Baoshan Changshan, Junxin, Kezhou Baishide, Maigaiti Jintan Zhengxin New Energy Technology Co., Ltd\* (麥蓋提金壇正信新能源科技有限公司), Wushi Longbai, Yingjisha, and Shufu County Zhongjiancai New Energy Photovoltaic Power Generation Co., Ltd\* (疏附縣中建材新能源光伏發電有限公司) (together, the “**2021 First Disposal Subject Companies**”) at aggregate consideration of RMB537.6 million (the “**2021 First Disposals**”).

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2021 First Disposal Sale and Purchase Agreements and the 2021 First Disposals in aggregate exceed 75%, the 2021 First Disposals constituted a very substantial disposal of the Company which is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The 2021 First Disposals was approved by the Shareholders at the extraordinary general meeting on 13 December 2021. As of the date of this announcement, the registration of share transfer in respect of three of the 2021 First Disposal Subject Companies have been completed, which are Maigaiti Jintan Zhengxin New Energy Technology Co., Ltd\* (麥蓋提金壇正信新能源科技有限公司), Shufu County Zhongjiancai New Energy Photovoltaic Power Generation Co., Ltd\* (疏附縣中建材新能源光伏發電有限公司) and Wushi Longbai. The registration of share transfer of remaining four of the 2021 First Disposal Subject Companies are expected to be completed in prior in September 2022.

As disclosed in the announcement of the Company dated 6 October 2021, Jiangsu Sanfeng Guanghua Investment Co., Ltd\* (江蘇三豐光華投資有限公司), Shijiazhuang Huaiyuan New Energy Development Company Limited\* (石家莊懷遠新能源開發有限公司) and Hebei Zhenlong Electricity Equipment Technology Co., Ltd\* (河北臻龍電力設備科技有限公司) entered into two sale and purchase agreements (the “**2021 Second Disposal Sale and Purchase Agreements**”) with Zhonghe Huineng Co., Ltd.\* (中核匯能有限公司, as the purchaser), pursuant to which Jiangsu Sanfeng Guanghua Investment Co., Ltd, Shijiazhuang Huaiyuan New Energy Development Company Limited and Hebei Zhenlong Electricity Equipment Technology Co., Ltd agreed to sell 100% of the equity interest in Hebei Sanlong Electricity Technology Co. Ltd\* (河北三龍電力科技有限公司) and Shangyi County Shunneng Photovoltaic Electricity Co., Ltd\* (尚義縣順能光伏電力有限公司) (together, the “**2021 Second Disposal Subject Companies**”) at aggregate consideration of RMB414.7 million (the “**2021 Second Disposal**”).

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2021 Second Disposal Sale and Purchase Agreements and the 2021 Second Disposal in aggregate exceed 75%, the 2021 Second Disposal constituted a very substantial disposal of the Company which is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The 2021 Second Disposal was approved by the Shareholders on 13 January 2022 and the registration for share transfers of the two 2021 Second Disposal Subject Companies were completed in January 2022 and February 2022, respectively.

As disclosed in the announcements of the Company dated 3 January 2022, Jiangxi Shunfeng, Shanghai Shunneng and Shunfeng Photovoltaic Investments (China) Company Limited\* (順風光電投資(中國)有限公司) (as vendors) have entered into four sale and purchase agreements (the “**2022 First Proposed Disposal Sale and Purchase Agreements**”) with Xinjiang Silu Qianyuan Energy Co., Ltd.\* (新疆絲路乾元能源有限責任公司, as the purchaser), pursuant to which the vendors agreed to sell 100% equity interest in Xinjiang Pu Xin Cheng Da, Hainan Xinsheng New Energy Technology Co. Ltd.\* (海南州鑫昇新能源科技有限公司), Tongwei Solar Power Qiemo Co., Ltd\* (通威太陽能且末有限公司) and Xinjiang Tianli at aggregate consideration of RMB889.6 million (the “**2022 First Proposed Disposal**”).

As disclosed in the announcement dated 8 June 2022, as there remained conditions which had not been satisfied, the vendors and the purchaser entered into termination agreements on 8 June 2022 to terminate the 2022 First Proposed Disposal Sale and Purchase Agreements in relation to the 2022 First Proposed Disposal.



## Human resources

As at 30 June 2022, the Group had 91 employees. The remuneration packages for the current employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

## Interim dividend

The Board has resolved not to declare an interim dividend during the Period.

## Events subsequent to the Period

Reference is made to the announcements of the Company dated 4 July 2022, on 29 June 2022 (after trading hours), Shunfeng Photovoltaic Holdings Limited, Xinjiang Pu Xin Cheng Da, Jiangxi Shunfeng, Shunfeng Photovoltaic Investments (China) Company Limited\* (順風光電投資(中國)有限公司) and the Company, entered into the sale and purchase agreement (the “**2022 Possible Disposal Sale and Purchase Agreement**”) with Sino Alliance Capital Ltd, pursuant to which Shunfeng Photovoltaic Holdings Limited has conditionally agreed to sell, and Sino Alliance Capital Ltd. has conditionally agreed to purchase, the Target Equity Interest, representing 100% of the equity interests in the Target, at an aggregate Consideration of approximately RMB664.3 million, which is equivalent to approximately HK\$777.5 million (the “**2022 Possible Disposal**”).

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2022 Possible Disposal Sale and Purchase Agreement and the 2022 Possible Disposal in aggregate exceed 75%, the 2022 Possible Disposal constituted a very substantial disposal of the Company which is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

A circular is expected to be despatched to the Shareholders on or before 30 September 2022.

## FUTURE PROSPECT

Following completion of the Lattice Power Disposal, 2021 Second Disposal, 2021 Third Disposal, Forced Sale and 3 out of 7 target companies in respect of the 2021 First Disposals and upon completion of 4 out of 7 target companies in respect of the 2021 First Disposals and the 2022 Possible Disposal, the Group will focus on the solar power businesses in the PRC including the development and management of solar power plants.

The Group is also actively considering other ways to raise funds for the Group, including but not limited to alternative refinancing, extension of maturity dates of debts and/or further disposal of the remaining solar plants in respect of the 2022 First Proposed Disposal, if appropriate, (the “**Proposed Plans**”). Once the Proposed Plans are fully or partly implemented, they are expected to strengthen the financial stability and shareholding and asset structure of the Group and support its long term strategic development. Any Proposed Plan will be subject to compliance with the Listing Rules and, if applicable, the approval of the Hong Kong Stock Exchange.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the Period.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Period.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The Audit Committee has reviewed and agreed with the management of the Group on the accounting principles, treatment and practices adopted by the Group and discussed with the Directors the internal controls and financial reporting matters, including the review of the interim results and the unaudited condensed consolidated interim financial statements for the Period. The Audit Committee, together with management and the external auditor of the Company, Zhonghui Anda CPA Limited, have reviewed the unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 June 2022. The Audit Committee considered that the interim financial statements for the Period are in compliance with the relevant accounting standards, the requirements of the Hong Kong Stock Exchange and the laws of Hong Kong, and that the Company has made appropriate disclosure thereof.

## **EXTRACT FROM THE REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The following is an extract of the review report on the Group's unaudited interim condensed consolidated financial statements for the Period:



## **‘BASIS FOR DISCLAIMER OF CONCLUSION**

As discussed in note 1 to the interim financial statements concerning the adoption of the going concern basis on which the interim financial statements have been prepared, the Group incurred loss of RMB195,974,000 and RMB38,921,000 respectively for two consecutive period of six months ended 30 June 2022 and 2021, and the Group had net current liabilities of RMB1,039,952,000 and net liabilities of RMB1,073,516,000 as at 30 June 2022. As at 30 June 2022, the Group had bank and other borrowings, convertible bonds and bond payables totaling RMB2,215,812,000 repayable within one year or on demand. In addition, as at 30 June 2022, the Group had overdue bank and other borrowings and bonds payable of approximately RMB1,050,994,000 and RMB585,372,000 respectively. Further, two bondholders initiated an arbitration with the Group through Shanghai Arbitration Commission for the settlement of the outstanding principal and accrued bond interest immediately. A freezing order (the “**Freezing Order**”) was issued by the Changzhou Intermediate People’s Court of Jiangsu Province upon the application by the two bondholders and accordingly, the equity interests of 4 subsidiaries (the “**Frozen Subsidiaries**”) have been put under the Freezing Order. A proposed disposal of one of the Frozen Subsidiaries is in process. In August 2022, the above proceedings have not yet been completed in the Shanghai Arbitration Commission.

These conditions indicate the existence of multiple uncertainties that cast a significant doubt on the Group’s ability to continue as a going concern. The directors of the Company are undertaking certain measures to improve the Group’s liquidity and financial position which are set out in note 1 to the interim financial statements. The interim financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to uncertainties, including (i) whether the Group is able to collect the remaining sale proceeds in respect of the disposals of subsidiaries (note 18); (ii) whether the Group is able to complete the disposals of the 4 Target Companies (note 20), and the Target Equity Interest (note 1); and (iii) whether the Group is able to negotiate with creditors, banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates. We were unable to obtain sufficient appropriate evidence as to the likelihood, or otherwise, of these measures being successful. As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effects thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate and the related disclosures are sufficient. If the Group had prepared the interim financial statements on an alternative basis, significant adjustments to the amounts and presentation of financial statement items may have been required.

## **DISCLAIMER OF CONCLUSION**

We do not express a conclusion on the interim financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for a conclusion on these financial statements.’

The aforesaid note 1, note 18 and note 20 to the interim financial statements in the extract from the independent review report is disclosed as note 1, note 13 and note 12 to the notes to the interim financial statements in this announcement respectively.

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

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the issued Shares as required under the Listing Rules for the Period.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement containing the relevant information required by the Listing Rules is published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.sfcegroup.com>). The interim report of the Company for the year ended 30 June 2022 containing all the information as required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Audit Committee”	the audit committee of the Board
“Board”	the board of director(s) of the Company
“Company”	Shunfeng International Clean Energy Limited
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Directors(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Lattice Power”	Lattice Power Corporation, a company incorporated in Cayman Islands and a non-wholly owned subsidiary of the Company
“Lattice Power Group”	Lattice Power and its subsidiaries
“LED”	light-emitting diode
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MW”	megawatt, which equals one million watts
“MWh”	megawatt hour
“Period”	six months ended 30 June 2022
“PRC” or “China”	the People’s Republic of China
“PV”	photovoltaic
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“we”, “our” or “us”	the Company or the Group (as the context requires)

By order of the Board  
**Shunfeng International Clean Energy Limited**  
**Wang Yu**  
*Chairman*

Hong Kong, 31 August 2022

*As at the date of this announcement, the executive Directors are Mr. Wang Yu, Mr. Zhang Fubo, Mr. Lu Bin and Mr. Chen Shi; and the independent non-executive Directors are Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson.*