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China Shuifa Singyes Energy Holdings Limited

中國水發興業能源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 750)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “Directors”, collectively referred to as the “Board”) of China Shuifa Singyes Energy Holdings Limited (the “Company”) is pleased to announce the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (the “Period”).

FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | |
|--|---|-------------------------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited and restated) |
| Revenue | 2,330,811 | 2,069,847 |
| EBITDA adjusted* | 399,426 | 325,084 |
| Profit before income tax | 147,875 | 256,308 |
| Income tax expense | 43,975 | 15,443 |
| Profits for the period attributable to owners of the Company | 96,458 | 228,023 |
| Earnings per share for profit attributable to owners of the Company | | |
| – Basic and diluted | RMB0.041 | RMB0.086 |

* earnings before interest, tax, depreciation and amortisation, gain on repurchase of senior notes and gain or cancellation of senior notes.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

| | | For the six months ended 30 June | |
|---|--------------|---|--|
| | <i>Notes</i> | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited and restated) |
| Revenue | 5 | 2,330,811 | 2,069,847 |
| Cost of sales | | (2,004,366) | (1,796,192) |
| Gross profit | | 326,445 | 273,655 |
| Tariff adjustment | 5 | 107,608 | 98,172 |
| Other income and gains | 6 | 66,662 | 278,228 |
| Selling and distribution expenses | | (30,739) | (37,558) |
| Administrative expenses | | (139,244) | (146,604) |
| (Provision for)/reversal of financial assets and contract assets | | (36,520) | 28,240 |
| Other expenses | | (4,212) | (40,835) |
| Finance costs, net | 7 | (142,240) | (184,220) |
| Share of profits/(losses) of associates | | 115 | (12,770) |
| Profit before income tax | 8 | 147,875 | 256,308 |
| Income tax expense | 9 | (43,975) | (15,443) |
| Profit for the period | | 103,900 | 240,865 |
| Other comprehensive income/(loss) for the period: | | | |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: | | | |
| Changes in fair value of equity instruments at fair value through other comprehensive income | | (58) | (563) |
| Exchange differences on translation of financial statements | | 25,495 | (25,472) |
| Total other comprehensive income/(loss) for the period, net of tax | | 25,437 | (26,035) |
| Total comprehensive income for the period | | 129,337 | 214,830 |

| | | For the six months ended 30 June | |
|---|-----------|---|-----------------------------|
| | | 2021 | 2020 |
| <i>Notes</i> | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (unaudited) | (unaudited and restated) |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 96,458 | 228,023 |
| Non-controlling interests | | 7,442 | 12,842 |
| | | <u>103,900</u> | <u>240,865</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 116,821 | 201,496 |
| Non-controlling interests | | 12,516 | 13,334 |
| | | <u>129,337</u> | <u>214,830</u> |
| Earnings per share for profit attributable to owners of the Company | | | |
| – Basic and diluted | <i>10</i> | <u>RMB0.041</u> | <u>RMB0.086</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 June 2021 <i>RMB'000</i> (unaudited) | 31 December 2020 <i>RMB'000</i> |
|---|----|--|---------------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 4,304,522 | 4,068,355 |
| Investment properties | | 364,289 | 333,141 |
| Right-of-use assets | | 223,862 | 222,734 |
| Intangible assets | | 106,894 | 101,703 |
| Payments in advance | | 8,591 | 21,725 |
| Investments in accounted for using the equity method | | 2,088 | 1,973 |
| Deferred tax assets | | 243,995 | 241,047 |
| Equity investments designated at fair value through other comprehensive income | | 10,472 | 10,530 |
| | | 5,264,743 | 5,001,208 |
| Total non-current assets | | | |
| CURRENT ASSETS | | | |
| Inventories | | 71,389 | 55,765 |
| Contract assets | 12 | 3,108,874 | 2,903,957 |
| Trade and bills receivables | 13 | 3,281,994 | 3,570,404 |
| Prepayments, deposits and other receivables | 13 | 1,097,563 | 852,068 |
| Pledged deposits | | 36,034 | 47,169 |
| Cash and cash equivalents | | 436,018 | 899,789 |
| | | 8,031,872 | 8,329,152 |
| Total current assets | | | |
| Total assets | | 13,296,615 | 13,330,360 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 17 | 174,333 | 174,333 |
| Reserves | | 4,157,045 | 4,040,224 |
| | | 4,331,378 | 4,214,557 |
| Non-controlling interests | | 293,961 | 269,322 |
| Total equity | | 4,625,339 | 4,483,879 |

| | | 30 June | 31 December |
|-------------------------------------|--------------|--------------------|----------------|
| | | 2021 | 2020 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (unaudited) | |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Senior notes | <i>16</i> | 829,925 | 1,488,096 |
| Bank and other loans | | 1,840,875 | 1,633,685 |
| Deferred tax liabilities | | 110,943 | 110,381 |
| Lease liabilities | | 29,964 | 22,694 |
| Deferred income | | 137,879 | 143,033 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 2,949,586 | 3,397,889 |
| | | <hr/> | <hr/> |
| CURRENT LIABILITIES | | | |
| Senior notes | <i>16</i> | 633,397 | – |
| Trade and bills payables | <i>14</i> | 2,414,349 | 1,921,875 |
| Other payables and accruals | <i>15</i> | 1,641,458 | 2,107,913 |
| Contract liabilities | | 231,002 | 131,361 |
| Bank and other loans | | 703,383 | 1,181,190 |
| Tax payable | | 95,348 | 102,010 |
| Lease liabilities | | 2,016 | 3,506 |
| Provisions | | 737 | 737 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 5,721,690 | 5,448,592 |
| | | <hr/> | <hr/> |
| Total liabilities | | 8,671,276 | 8,846,481 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Total equity and liabilities | | 13,296,615 | 13,330,360 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

China Shuifa Singyes Energy Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in Bermuda on 24 October 2003. The registered office of the Company is located at 4th Floor, North Cedar House, 41 Cedar Avenue, Hamilton, HM12, Bermuda. The principal place of business of the Company is located at Unit 3108, 31st Floor, China Merchants Tower, Shun Tak Center, 168-200 Connaught Road Central, Hong Kong.

During the six months ended 30 June 2021 (the “Period”), the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the design, manufacture, supply and installation of conventional curtain walls, wind farm construction and building integrated solar photovoltaic systems, as well as the manufacture and sale of solar power products. There were no significant changes in the nature of the Group’s principal activities during the Period.

In the opinion of the directors of the Company (the “Directors”), the holding company, the intermediate holding company and the ultimate holding company of the Company are Water Development (HK) Holding Co., Ltd., which is incorporated in Hong Kong, Shuifa Energy Group Limited (水發能源集團有限公司, “Shuifa Energy”) and Shuifa Group Co., Ltd. (水發集團有限公司, “Shuifa Group”), which are incorporated in the People’s Republic of China (the “PRC”).

This condensed consolidated interim financial information has not been audited and are presented in Renminbi (“RMB”), unless otherwise stated.

2. BASIS OF PREPARATION

The unaudited interim condensed financial information for the Period has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”).

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period.

The financial information relating to the six months ended 30 June 2020 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2021 as comparative information does not constitute the Company’s interim condensed financial statements for that period but is derived from those financial statements and combined with the financial statements of Zibo Qilu Chemical Industry Zone Thermal Co., Ltd. (“Zibo Qilu”) for the period ended 30 June 2020 under merger accounting.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

| | | Effective for annual periods beginning on or after |
|---|--|---|
| Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 | Interest rate benchmark reform – Phase 2 | 1 January 2021 |
| Amendments to IFRS 16 | Covid-19 – Related Rent Concessions beyond 20 June 2021 | 1 April 2021 |

(b) New and amended standards not yet effective

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

| | | Effective for annual periods beginning on or after |
|--|---|---|
| Amendments to IFRS 3 | Update reference to the conceptual framework | 1 January 2022 |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before intended use | 1 January 2022 |
| Amendments to IAS 37 | Onerous contracts — costs of fulfilling a contract | 1 January 2022 |
| Annual Improvements | Annual Improvements to IFRS Standards 2018-2020 | 1 January 2022 |
| IFRS 17 | Insurance contracts | 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to IAS 1 | Classification of liabilities as current or Non-current | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |
| Amendments to IFRS 3 | Update reference to the conceptual framework | 1 January 2022 |

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual report for the year ended 31 December 2020.

5. OPERATING SEGMENT INFORMATION AND REVENUE

Revenue represents an appropriate proportion of contract revenue from construction contracts, net of government surcharges; and the invoiced value of products and electricity sold, and net of value-added tax and government surcharges.

The Group's revenue and contribution to profit for the Period were mainly derived from the construction and installation of curtain walls (including solar power products), construction of wind farms and operation and management of solar photovoltaic power stations, which are regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purpose of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Mainland China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

(a) Revenue from contracts with customers

(i) Disaggregated revenue information

| | For the six months ended 30 June | | | |
|--|----------------------------------|--------------|---|--------------|
| | 2021 | | 2020 | |
| | <i>RMB'000</i> (unaudited) | % | <i>RMB'000</i> (unaudited and restated) | % |
| Revenue from contracts with customers | | | | |
| Construction contracts | 1,926,418 | 82.7 | 1,626,584 | 78.6 |
| Sale of products | 153,851 | 6.6 | 286,340 | 13.8 |
| Sale of electricity | 74,763 | 3.2 | 62,816 | 3.0 |
| Thermal supply | 138,602 | 5.9 | 90,117 | 4.4 |
| Rendering of design and consultation services | 37,177 | 1.6 | 3,990 | 0.2 |
| Revenue | <u>2,330,811</u> | <u>100.0</u> | <u>2,069,847</u> | <u>100.0</u> |
| Tariff adjustment* | <u>107,608</u> | | <u>98,172</u> | |

* Tariff adjustment represents subsidies receivable from the State Grid Corporation of China ("State Grid") in respect of the Group's solar photovoltaic power station operation business, which will be settled subsequent to State Grid's receipt of fund from the relevant government authorities.

Geographical markets

| | For the six months ended 30 June | | | |
|----------------------------|----------------------------------|--------------|---|--------------|
| | 2021 | | 2020 | |
| | <i>RMB'000</i> (unaudited) | % | <i>RMB'000</i> (unaudited and restated) | % |
| Domestic – Mainland China* | 2,229,495 | 95.7 | 2,000,770 | 96.7 |
| Overseas | 101,316 | 4.3 | 69,077 | 3.3 |
| | <u>2,330,811</u> | <u>100.0</u> | <u>2,069,847</u> | <u>100.0</u> |

* The place of domicile of the Group's principal operating subsidiaries is Mainland China. The principal revenues of the Group are generated in Mainland China.

| | For the six months ended 30 June | |
|---|-------------------------------------|---|
| | 2021 | 2020 |
| | <i>RMB'000</i> (unaudited) | <i>RMB'000</i> (unaudited and restated) |
| <i>Timing of revenue recognition</i> | | |
| Products transferred at a point in time | 322,918 | 439,273 |
| Services transferred over time | 2,007,893 | 1,630,574 |
| Total revenue from contracts with customers | <u>2,330,811</u> | <u>2,069,847</u> |

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | For the six months ended 30 June 2021 <i>RMB'000</i> (unaudited) |
|--|---|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | |
| Construction contracts | 53,371 |
| Sale of products | 31,423 |
| | <u>84,794</u> |

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 180 days from delivery, except for small and new customers, where payment is normally expected to be settled shortly after delivery of products. No credit period is set by the Group for small and new customers.

Sale of electricity

The performance obligation is satisfied at the point in time upon transmission of electricity to purchasing companies or grid companies. The payment is generally due within 30 days from billing.

Thermal supply

The performance obligation is satisfied at the point in time upon transmission of steam to companies in Qilu Chemical Industrial Park in Zibo City, Shandong Province. The payment is generally due within 30 days from the date of billing.

Rendering of services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 180 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

As at 30 June 2021, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts was approximately RMB3,651,500,000 (31 December 2020: RMB1,396,756,000). This amount represents revenue expected to be recognised in the future from construction services and the sale of products entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the construction work and sale of products are completed, which is expected to occur within 2 years.

(b) Non-current assets

| | 30 June 2021 | | 31 December 2020 | |
|----------------|--------------------|--------------|------------------|--------------|
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| | (unaudited) | | | |
| Mainland China | 4,975,900 | 99.4 | 4,719,815 | 99.4 |
| Overseas | 32,287 | 0.6 | 27,843 | 0.6 |
| | <u>5,008,187</u> | <u>100.0</u> | <u>4,747,658</u> | <u>100.0</u> |

The non-current asset information above is based on the locations of the assets and excludes investments in associates, deferred tax assets and equity investment designated at fair value through other comprehensive income.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

| | For the six months ended 30 June | |
|--|-------------------------------------|-------------------------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited and restated) |
| Gain on repurchase of senior notes | – | 210,180 |
| Gain on cancellation of senior notes | – | 1,686 |
| Gain on disposal of associates | – | 31,768 |
| Gain on debt restructuring | – | 13,087 |
| Interest income from amounts due from related parties | 950 | – |
| Deferred income released to profit or loss over the expected useful lives of the related assets | 7,268 | 7,439 |
| Government grants* | 1,720 | 4,812 |
| Operating lease rental income | 8,428 | 4,775 |
| Foreign exchange gains, net | 31,796 | – |
| Bank interest income | 1,080 | 954 |
| Others | 15,420 | 3,527 |
| | <u>66,662</u> | <u>278,228</u> |

* There were no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS, NET

An analysis of finance costs is as follows:

| | For the six months ended 30 June | |
|--|---|-------------------------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited and restated) |
| Interest on bank and other loans | 67,834 | 89,216 |
| Interest on senior notes | 35,174 | 92,398 |
| Acceleration of unwinding interest | — | 9,657 |
| Interest on discounted bills receivable | 954 | 994 |
| Interest on lease liabilities | 870 | 341 |
| Interest on amounts due to related parties | 46,028 | — |
| | <hr/> | <hr/> |
| Total interest expense | 150,860 | 192,606 |
| Less: interest capitalised | (8,620) | (8,386) |
| | <hr/> | <hr/> |
| | 142,240 | 184,220 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. PROFIT BEFORE INCOME TAX

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

| | For the six months ended 30 June | |
|---|---|-----------------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited and restated) |
| Cost of construction contracts and design services | 1,693,774 | 1,402,087 |
| Cost of inventories sold | 127,058 | 265,685 |
| Cost of electricity sold | 82,665 | 69,734 |
| Cost of stream sold | 100,869 | 58,686 |
| | 2,004,366 | 1,796,192 |
| Depreciation of property, plant and equipment | 96,392 | 94,006 |
| Depreciation of investment properties | 4,056 | 3,726 |
| Depreciation of right-of-use assets | 6,119 | 4,211 |
| Amortisation of intangible assets | 2,744 | 479 |
| Total depreciation and amortisation | 109,311 | 102,422 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages and salaries and relevant benefits | 88,096 | 67,719 |
| Pension scheme contributions | 3,491 | 1,508 |
| Equity-settled share option expense/(reversal) | 54 | (59) |
| | 91,641 | 69,168 |
| Lease payments not included in the measurement of lease liabilities | 2,128 | 1,895 |
| Research costs | 17,947 | 16,899 |
| Auditors' remuneration | 1,980 | 2,380 |
| Provision for/(reversal of) financial assets and contract assets | 36,520 | (28,240) |
| Gains/(losses) on disposal of items of property, plant and equipment | (34) | 181 |
| Gain on disposal of associates | — | (31,768) |
| Operating lease rental income | (8,428) | (4,775) |
| Exchange (gains)/losses, net | (31,796) | 25,605 |

9. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the respective countries or jurisdictions in which members of the Group are domiciled and operate.

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

No provision for profits tax in Hong Kong, Macau, Malaysia, Singapore and Nigeria has been made as the Group had no assessable profits derived from or earned in Hong Kong, Macau, Malaysia, Singapore and Nigeria during the Period.

Mainland China profits tax has been provided at the respective corporate income tax (“CIT”) rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the Period.

The major components of income tax expense for the Period are as follows:

| | For the six months ended 30 June | |
|---------------------------------|-------------------------------------|-----------------------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited and restated) |
| Current – Charge for the Period | | |
| – Mainland China | 45,689 | 15,340 |
| Deferred | (1,714) | 103 |
| Total tax charge for the Period | <u>43,975</u> | <u>15,443</u> |

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,521,081,780 (six months ended 30 June 2020: 2,521,081,780) in issue during the Period.

No adjustment has been made to the basic earnings per share amounts presented for the Period and the six months ended 30 June 2021 in respect of a dilution as the exercise prices of the Company’s outstanding share options were higher than the average market prices for the Company’s shares during the Period and the six months ended 30 June 2021.

11. DIVIDENDS

No interim dividend was proposed by the Directors in respect of the Period (six months ended 30 June 2020: Nil).

12. CONTRACT ASSETS

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|---------------------------------|---|--------------------------------|
| Contract assets arising from | | |
| Construction services (1) | 3,305,317 | 3,150,602 |
| Retention money receivables (2) | 46,297 | 94,539 |
| | 3,351,614 | 3,245,141 |
| Impairment | (242,740) | (341,184) |
| | 3,108,874 | 2,903,957 |

- (1) Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.
- (2) At 30 June 2021, the retention money receivables from the contract customers amounting to RMB46,297,000 (31 December 2020: RMB94,539,000) were still in warranty period. Retention money receivables are normally collected within two to five years after the completion of the relevant construction works.

No contract asset was generated from the Group's associates (31 December 2020: nil).

Management expects that the majority of the above disclosed contract assets as at 30 June 2021 will be recovered or settled in two to five years.

During the Period, RMB98,444,000 (six months ended 30 June 2020: RMB20,324,000) was reversed as an allowance for expected credit losses ("ECLs") on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 2 to the interim condensed financial information.

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

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|------------------------------|---|--------------------------------|
| At beginning of Period/year | 341,184 | 191,373 |
| Impairment losses recognised | (98,444) | 149,811 |
| At end of Period/year | <u>242,740</u> | <u>341,184</u> |

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and coverage by other forms of insurance). The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

| | 30 June 2021 (Unaudited) | 31 December 2020 |
|-----------------------|---|---------------------|
| ECLs rate | <u>7.2%</u> | <u>10.5%</u> |
| | RMB'000 | RMB'000 |
| Gross carrying amount | 3,351,614 | 3,245,141 |
| ECLs | (242,740) | (341,184) |
| | <u>3,108,874</u> | <u>2,903,957</u> |

13. TRADE AND BILLS RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|------------------------------------|---|--------------------------------|
| Trade and bills receivables | | |
| Trade receivables | 3,962,812 | 4,154,464 |
| Bills receivables | 77,431 | 49,244 |
| Less: impairment | (758,249) | (633.304) |
| | <u>3,281,994</u> | <u>3,570,404</u> |

The Group's trade receivables include net carrying amounts due from the Group's associates of RMB530,000 (31 December 2020: RMB378,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

The Group has pledged trade receivables of approximately RMB155,988,000 (31 December 2020: RMB2,164,205,000) to secure bank and other loans granted to the Group.

Credit terms granted to the Group's major customers are as follows:

Construction services

The Group does not have a standardised and universal credit period granted to its construction contract customers. The credit periods for individual construction contract customers are considered on a case-by-case basis and set out in the construction contracts, as appropriate. In the event that a project contract does not specify the credit period, the usual practice of the Group is to allow a credit period of 30 to 180 days.

Sale of products

For the sale of products, the Group normally grants credit periods ranging from three to six months to major customers. Trade receivables from small and new customers are normally expected to be settled shortly after delivery of products. No credit period is set by the Group for small and new customers.

Sale of electricity

The Group's trade receivables from the sale of electricity are mainly receivables from the State Grid. Generally, trade receivables are usually settled within one month from the date of billing.

An ageing analysis of the trade and bills receivables as at the end of the Period, based on the billing date and net of loss allowance, is as follows:

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|-----------------|---|--------------------------------|
| Within 3 months | 993,716 | 1,167,198 |
| 3 to 6 months | 245,147 | 264,723 |
| 6 to 12 months | 568,707 | 430,680 |
| 1 to 2 years | 798,552 | 922,715 |
| 2 to 3 years | 337,307 | 517,135 |
| Over 3 years | 338,565 | 267,953 |
| | <u>3,281,994</u> | <u>3,570,404</u> |

The movements in loss allowance for impairment of trade receivables are as follows:

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|-----------------------------|---|--------------------------------|
| At beginning of Period/year | 633,304 | 602,298 |
| Impairment losses | 124,945 | 31,006 |
| At end of Period/year | <u>758,249</u> | <u>633,304</u> |

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

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

As at 30 June 2021

| | Current | Past due | | | Total |
|--|---------|-----------------------|------------------------|-------------------|-----------|
| | | Less than 6 months | Less than 12 months | Over 12 months | |
| ECLs rate | 1.28% | 5.06% | 17.33% | 32.49% | 19.13% |
| Gross carrying amount (<i>RMB'000</i>) | 919,589 | 611,094 | 492,182 | 1,939,947 | 3,962,812 |
| ECLs (<i>RMB'000</i>) | 11,816 | 30,901 | 85,295 | 630,237 | 758,249 |

As at 31 December 2020

| | Current | Past due | | | Total |
|--|-----------|-----------------------|------------------------|-------------------|-----------|
| | | Less than 6 months | Less than 12 months | Over 12 months | |
| ECLs rate | 2.30% | 5.01% | 17.77% | 30.46% | 15.24% |
| Gross carrying amount (<i>RMB'000</i>) | 1,426,100 | 442,280 | 930,914 | 1,355,170 | 4,154,464 |
| ECLs (<i>RMB'000</i>) | 32,853 | 22,170 | 165,445 | 412,836 | 633,304 |

30 June 31 December
2021 2020
RMB'000 *RMB'000*
(unaudited)

Prepayments, deposits and other receivables

| | | |
|---|------------------|-----------|
| Prepayments to subcontractors and suppliers | 128,986 | 173,583 |
| Deposits | 131,324 | 99,797 |
| Tariff adjustment receivables* | 680,693 | 497,882 |
| Amounts due from related parties | 32,695 | 29,270 |
| Compensation for performance commitment | – | 8,983 |
| Other receivables | 243,362 | 152,031 |
| | 1,217,060 | 961,546 |
| Less: impairment | (119,497) | (109,478) |
| | 1,097,563 | 852,068 |

* The Group's tariff adjustment receivables from the sale of electricity are mainly receivables from the State Grid. Tariff adjustment receivables represented the government subsidies on renewable energy for solar photovoltaic power stations to be received from the State Grid based on the prevailing government policies.

The Group has pledged tariff adjustment receivables of approximately RMB663,232,000 (31 December 2020: RMB490,982,000) to secure bank loans granted to the Group.

The movements in the loss allowance for impairment of financial assets in prepayments, deposits and other receivables are as follows:

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|-----------------------------|---|--------------------------------|
| At beginning of Period/year | 109,478 | 27,340 |
| Impairment losses | 10,019 | 82,138 |
| | <hr/> | <hr/> |
| At end of Period/year | 119,497 | 109,478 |
| | <hr/> <hr/> | <hr/> <hr/> |

An impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

In determining ECLs for prepayments, deposits and other receivables, the Directors have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

14. TRADE AND BILLS PAYABLES

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

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|-----------------|---|--------------------------------|
| Within 3 months | 1,448,903 | 1,205,757 |
| 3 to 6 months | 167,127 | 131,147 |
| 6 to 12 months | 446,600 | 292,611 |
| 1 to 2 years | 279,368 | 203,161 |
| 2 to 3 years | 42,885 | 39,503 |
| Over 3 years | 29,466 | 49,696 |
| | <u>2,414,349</u> | <u>1,921,875</u> |

The trade and bills payables are non-interest-bearing and are normally settled within one to six months.

As at 30 June 2021, the Group's bills payable were secured by the pledged deposits amounting to RMB12,013,000 (31 December 2020: RMB10,200,000).

15. OTHER PAYABLES AND ACCRUALS

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|--------------------------------|---|--------------------------------|
| Tax and surcharge payables | 171,284 | 362,043 |
| Advances | 3,248 | 4,497 |
| Accrued expenses | 19,096 | 33,210 |
| Interest payables | 1,702 | 6,027 |
| Amounts due to related parties | 1,213,983 | 1,492,961 |
| Other payables | 232,145 | 209,175 |
| | <u>1,641,458</u> | <u>2,107,913</u> |

Except for the amount due to the follow subsidiary, Shuifa International Holdings (BVI) Co., Ltd. ("Shuifa BVI"), other payables and accruals are unsecured, non-interest-bearing and have no fixed terms of repayment.

The Group's other payables and accruals included net carrying amounts of RMB500,000 (31 December 2020: 1,000,000) received from the Group's associates.

16. SENIOR NOTES

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|--------------------------|---|--------------------------------|
| 2022 Senior Notes | | |
| Current | 633,397 | — |
| Non current | 829,925 | 1,488,096 |
| | <u>1,463,322</u> | <u>1,488,096</u> |

On 19 December 2019, the Company issued guaranteed senior notes with an aggregate nominal value of US\$414,932,000, initially offered to eligible Scheme Creditors and the Holding Period Trustee (as defined in the Announcement dated 19 December 2019). The senior notes carry early redemption options and will be fully repayable by 19 December 2022 (the “2022 Senior Notes”). The 2022 Senior Notes are only offered outside the United States in compliance with Regulation S under the United States Securities Act of 1933, as amended. The 2022 Senior Notes have been listed on the Singapore Exchange Securities Trading Limited (the “SGX”).

The 2022 Senior Notes recognised in the condensed consolidated statement of financial position as at 30 June 2021 are calculated as follows:

| | 30 June 2021 RMB'000 (unaudited) | 31 December 2020 RMB'000 |
|--|---|--------------------------------|
| At beginning of Period/year | 1,488,096 | 2,815,135 |
| Effective interest recognised for the Period | 35,174 | 146,660 |
| Interest payable during the Period | (45,257) | (40,031) |
| Repurchase of senior notes* | — | (1,321,065) |
| Acceleration of unwinding interest | — | 8,856 |
| Cancellation of senior notes | — | (1,655) |
| Exchange realignment | (14,691) | (119,804) |
| At end of Period/year | <u>1,463,322</u> | <u>1,488,096</u> |
| Fair value of the 2022 Senior Notes** | <u>1,411,805</u> | <u>1,431,125</u> |

* During the year ended 31 December 2020, the company repurchased a portion of the 2022 Senior Notes with an aggregate nominal value of US\$191,644,000 during last year. Particulars of the Company's repurchase of the 2022 Senior Notes have been set out in the Company's announcements dated 8 June 2020, 16 June 2020, 17 June 2020 and 14 December 2020. A net gain of RMB200,588,000, which can be further analysed as a gross gain of RMB209,444,000 after netting a loss on acceleration of unwinding interest of RMB8,856,000, was recognised for the repurchase of the 2022 Senior Notes.

** The fair value of the 2022 Senior Notes is determined based on the price quoted on the SGX on 30 June 2021.

17. SHARE CAPITAL

Shares

| | 30 June 2021 US\$'000 (unaudited) | 31 December 2020 US\$'000 |
|--|--|---------------------------------|
| Authorised: | | |
| 3,200,000,000 ordinary shares of US\$0.01 each | 32,000 | 32,000 |
| Issued and fully paid: | | |
| 2,521,081,780 ordinary shares of US\$0.01 each | 25,211 | 25,211 |
| Equivalent to RMB'000 | 174,333 | 174,333 |

There was no movement in the Company's issued share capital during the Period.

18. BUSINESS COMBINATION

On 14 January 2021, Hunan Singyes Green Energy Co., Ltd. (“Hunan Singyes”) completed the acquisition of 100% equity interests in Dunhuang Anjie Renewable Energy Technology Co., Ltd. (“Dunhuang Anjie”). Dunhuang Anjie is engaged in the operation of solar energy, wind energy, hydropower, geothermal power project investment, development, sales and provision of corresponding technical services. The purchase consideration for the acquisition was in the form of cash, with RMB9,600,000 paid at the acquisition date.

On 2 February 2021, Zhuhai Singyes Green Building Technology Co., Ltd (“Zhuhai Singyes”) completed the acquisition of 60% equity interests in Shuifa Green Construction (Beijing) Urban Technology Development Co., Ltd. (“Shuifa Green Construction”). Shuifa Green Construction is engaged in the operation of engineering survey and design, consulting on real estate management and development, technical development of electronic computer software, technical consulting, and urban planning. The purchase consideration for the acquisition was in the form of cash, with RMB19,800,000 paid at the acquisition date.

On 2 April 2021, Zhuhai Singyes New Materials Technology Co., Ltd (“Zhuhai New Materials”) completed the acquisition of 60% equity interests in Sishui Yixin Renewable Resources Co., Ltd. (“Sishui Yixin”). Sishui Yixin is engaged in the provision of construction waste treatment, environmental engineering, land consolidation. The purchase consideration for the acquisition was in the form of cash, with RMB6,000,000 paid at the acquisition date.

The following table summarises the consideration paid for the acquisition and the fair value of the identifiable assets acquired and liabilities assumed at the respective acquisition dates:

| | Dunhuang Anjie | Shuifa Green Construction | Sishui Yixin | Total |
|--|---------------------------|--------------------------------------|-------------------------|-----------------|
| | <i>RMB '000</i> | <i>RMB '000</i> | <i>RMB '000</i> | <i>RMB '000</i> |
| Property, plant and equipment | 84,460 | 891 | 5,682 | 91,033 |
| Deferred tax assets | — | 672 | — | 672 |
| Inventory | — | — | 564 | 564 |
| Trade and bills receivables | 30,073 | 8,642 | 321 | 39,036 |
| Prepayments, deposits and other receivables | 24 | 7,682 | — | 7,706 |
| Cash and cash equivalents | 147 | 9,537 | 87 | 9,771 |
| Trade payables | (2,841) | (1,068) | — | (3,909) |
| Other payables and accruals | (108,913) | (6,761) | (1,009) | (116,683) |
| Total identifiable net assets/(liabilities) at fair value | 2,950 | 19,595 | 5,645 | 28,190 |
| Goodwill on acquisition | 6,650 | 205 | 355 | 7,210 |
| | <u>9,600</u> | <u>19,800</u> | <u>6,000</u> | <u>35,400</u> |
| Satisfied by cash | <u>9,600</u> | <u>19,800</u> | <u>6,000</u> | <u>35,400</u> |

An analysis of the cash flow in respect of the acquisition of above subsidiaries is as follows:

| | <i>RMB '000</i> |
|--|-----------------|
| Cash and cash equivalents acquired | 9,771 |
| Net outflow of cash and cash equivalents | |
| Included in cash flows from investing activities | 25,629 |

Had the combinations taken place on 5 June 2020 and 29 June 2020, respectively, the contributions from Foshan Keliyuan and Foshan Xinye to the consolidated revenue and profit for the six months ended 30 June 2020 were minimal.

19. CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, Singyes New Materials was involved in a product quality dispute arising from the ordinary course of business where a customer initiated a proceeding against Singyes New Materials to claim a compensation relating to a product quality dispute. The court judgement was issued in June 2021. Both the Group and the customer filed appeals against the court judgement in July 2021. As a result of this lawsuit, cash at a bank of Singyes New Materials amounting to RMB10,000,000 (31 December 2020: RMB10,000,000) has been set aside and sealed by a court in the PRC. The Directors, based on the advice from the Group's legal counsel, believe that Singyes New Materials has a valid defense against the lawsuit and, accordingly, have not provided for any loss arising from the litigation, other than the related legal costs.

20. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 30 June 2021 <i>RMB '000</i> (unaudited) | 31 December 2020 <i>RMB '000</i> |
|---|---|--|
| Contracted, but not provided for: | | |
| Construction of buildings and solar photovoltaic power stations | 143,606 | 93,535 |
| Capital contributions to be injected into associates | — | 26,500 |
| Purchase of office properties | — | 16,820 |
| | 143,606 | 136,855 |

21. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the interim condensed financial information, the Group has no events after the Period that need to be disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

We are a professional renewable energy solution provider and building contractor. Our main businesses are design, fabrication and installation of curtain wall, green building and solar projects. Solar projects included Building Integrated Photovoltaic System (“BIPV”) system, roof top solar system and ground mounted solar system (collectively “Solar EPC”); we are also engaged in the manufacturing and sale of renewable energy goods. Our BIPV system involves (i) the integration of photovoltaic technology into the architectural design of buildings and structures and (ii) conversion of solar energy into electricity for use. Our system allows the electricity generated from solar panels to be connected to the power grid of a building and the electricity generated from sun power will be consumed simultaneously. No extra electricity storage cost is required. Apart from the above, we also provide engineering design services and engage in the sale of curtain wall materials. Leveraging on our track record and extensive experience in our curtain wall business, we will further strengthen and develop our renewable energy business in respect of BIPV systems and renewable energy products. In 2020, the Group further diversified its business into Wind Power EPC, total revenue during the Period approximately RMB1,202.7 million. As announced by the Company on 11 September 2020, our Group also acquired Zibo Qilu Chemical Industry Zone Thermal Co., Ltd from the controlling shareholder of the Company, after this acquisition, the Group also entered into pipeline steam supply business, total revenue during the Period was approximately RMB138.6 million. Our Group will endeavour to continue our focus on renewable business. In the long run, we will aspire and strive to grow into an enterprise with a focus on renewable energy business.

Adjusted EBITDA during the Period grew by RMB74.3 million or 22.9% as compared to the six months ended 30 June 2020.

Curtain wall and green building business

In the first half of year 2021, our curtain wall and green building construction revenue increased by RMB153.2 million or 30.0% as compared to RMB511.1 million in the same period of year 2020.

Solar EPC business

Revenue from Solar EPC business dropped from RMB480.9 million to RMB59.4 million. In 2021, the price on polysilicon, a key material on solar modules, increased rapidly because of the increase in global demand. On the other hand, the supply side could not immediately satisfy the increase in demand due to the lock down of economic activities in various areas and travel restrictions across certain areas in the world. The supply chain and logistic was therefore significantly affected. Our group therefore did not undertake sizable new Solar EPC projects in the first half of 2021.

The global trend on de-carbonisation will continue to accelerate the use of solar power in the coming years, the Group also expects that the Chinese government will give continuous support on green energy areas. It will therefore create additional demand for our Group's Solar EPC business. Our group also expects the demand/supply imbalance in polysilicon would only be a short-term issue, and the improvement in technology would contribute to the gradual reduction in the material price. The solar industry would be benefited in the long run.

In China, reaching grid parity is foreseeable and the keys for a reliable solar power project would be system stabilisation and sensitivity on weather changes. We have proven track record in managing stable system output with advance energy storage technology. Owing to the recent policies from the Chinese government to give long term support on distributive solar power systems, our Solar EPC business could be benefited in the long-term.

Wind Power EPC

In 2020, the Group had started to be engaged in the EPC works on Wind Power EPC projects, revenue in first half 2021 was approximately RMB1,202.8 million, increased by RMB568.2 million or 89.5% as compared to the six months ended 30 June 2020.

Development of renewable energy products

Apart from Solar EPC, we also produce different kind of renewable energy products. Renewable energy products include solar photovoltaic materials and solar thermal products. Solar thermal products include air-source heat pump, solar heat collectors and solar heating system.

Thermal supply

On 11 September 2020, the Group acquired Zibo Qilu Chemical Industry Zone Thermal Co., from the controlling shareholder of the Company, its main business is the supply of pipeline steam inside an industrial zone. Total revenue recognised during the period ended 30 June 2021 was RMB138.6 million.

Self-develop solar projects

At 30 June 2021, the Group had around 484.4 MW of grid connected solar projects and 68.1 MW projects awaiting for grid connection.

BUSINESS AND FINANCIAL REVIEW

Revenue

The following table set out the breakdown of revenue:

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2021 | 2020 |
| | <i>RMB million</i> | <i>RMB million</i> |
| | (unaudited) | (unaudited) |
| Curtain wall and green building | | |
| – Public work | 121.0 | 71.9 |
| – Commercial and industrial | 340.9 | 283.3 |
| – High-end residential | 202.4 | 155.9 |
| | <u>664.3</u> | <u>511.1</u> |
| Solar EPC | | |
| – Public work | – | 29.5 |
| – Commercial and industrial | 59.4 | 451.4 |
| | <u>59.4</u> | <u>480.9</u> |
| Wind Power EPC | | |
| – Commercial and industrial | 1,202.7 | 634.6 |
| Construction contracts total | <u>1,926.4</u> | <u>1,626.6</u> |
| Sale of products | | |
| – conventional materials | 50.1 | 68.0 |
| – renewable energy products | 34.2 | 16.2 |
| – new materials | 52.4 | 45.3 |
| – petrochemicals | 17.2 | 156.8 |
| | <u>153.9</u> | <u>286.3</u> |
| Rendering of design and other services | 37.2 | 4.0 |
| Sale of electricity, including tariff adjustment | 182.3 | 161.0 |
| Thermal supply | 138.6 | 90.1 |
| | <u>2,438.4</u> | <u>2,168.0</u> |
| Tariff adjustment | (107.6) | (98.2) |
| Revenue | <u>2,330.8</u> | <u>2,069.8</u> |

| Gross profit/(loss) and gross profit/(loss) margin | For the six months ended 30 June | | | |
|--|----------------------------------|-------------|--------------------|-------------|
| | 2021 | | 2020 | |
| | <i>RMB million</i> | <i>%</i> | <i>RMB million</i> | <i>%</i> |
| | <i>(unaudited)</i> | | <i>(unaudited)</i> | |
| Construction contracts | | | | |
| – Curtain wall and green building | 67.9 | 10.2 | 58.8 | 11.5 |
| – Solar EPC | 15.2 | 25.6 | 47.9 | 10.0 |
| – Wind Power EPC | 175.6 | 14.6 | 119.3 | 18.8 |
| | <u>258.7</u> | <u>13.4</u> | <u>226.0</u> | <u>13.9</u> |
| Sale of products | | | | |
| – conventional materials | 13.7 | 27.3 | 7.1 | 10.5 |
| – renewable energy products | (4.9) | (14.3) | 0.3 | 2.1 |
| – new materials | 10.5 | 20.0 | 11.7 | 25.7 |
| – petrochemicals | 7.5 | 43.6 | 1.5 | 1.0 |
| | <u>26.8</u> | <u>17.4</u> | <u>20.6</u> | <u>7.2</u> |
| Rendering of design and other services | 11.1 | 29.8 | 2.5 | 62.2 |
| Sale of electricity, including tariff adjustment | 99.7 | 54.7 | 91.3 | 56.7 |
| Thermal supply | 37.7 | 27.2 | 31.4 | 34.9 |
| | <u>434.0</u> | <u>17.8</u> | <u>371.8</u> | <u>18.0</u> |
| Total gross profit and gross profit margin, including tariff adjustment | <u>434.0</u> | <u>17.8</u> | <u>371.8</u> | <u>18.0</u> |

The Group's revenue and tariff adjustment increased by RMB270.4 million or 12.5%, from RMB2,168.0 million in first half 2020 to RMB2,438.4 million in first half 2021. Gross profit (including tariff adjustment) increased by RMB62.2 million or 16.7%, from RMB371.8 million in first half 2020 to RMB434.0 million in first half 2021.

1) *Curtain wall and green building*

Revenue from curtain wall and green building EPC grew by 30.0%, while gross profit margin dropped slightly from 11.5% to 10.2%. The major reason for the drop in gross profit margin was because of the general increase in raw material price, such as glass and aluminum, while our Group could not fully pass the increase in material cost to our customers.

2) *Solar EPC*

As mentioned earlier, our Group did not undertake sizable new Solar EPC projects during the Period. The high margin during the period was mainly because of our Group's involvement in certain prototype rural area photovoltaic projects.

3) *Wind Power EPC*

Our Group started to engage in Wind Power EPC business in 2020, revenue during the Period amounted to RMB1,202.8 million, representing an increase of RMB568.2 million or 89.5%. Gross profit margin during the period was 14.6% (six months ended 30 June 2020: 18.8%). During the first half 2021, our Group was mainly involved in two 100MW Wind EPC projects in central part of China and a 500MW Wind Power Project in North-east part of China, the drop in margin was mainly because of the relative lower average selling prices.

4) *Sale of products*

- (i) Sale of conventional materials amounted to RMB50.1 million, representing an decrease of RMB17.9 million or 26.4% as compared to the six months ended 30 June 2020. On the other hand, gross profit margin improved from 10.5% from the period ended 30 June 2020 to 27.3% during Period. The relative good profit margin during the period was mainly from the offshore markets, especially in Oceanic area.
- (ii) Sale of renewable energy products increased by RMB18.0 million or 111% as compared to the six months ended 30 June 2020. While the Group recorded a gross loss of 14.3% during the period, it was mainly because of the increase in material costs.
- (iii) New Material business represented sale of Indium Tin Oxide (“ITO”) film and its products. ITO film can be processed into touch-screen ITO film and switchable ITO film, while the switchable ITO film can further be processed into smart light-adjusting glass and smart light-adjusting projection system.

In the first half of 2021, our Group faced keen competition in the saturated domestic market. Although we recorded growth in sales in the first half of 2021 as compared to the same period of 2020, our gross profit dropped because of the price competition.

5) *Sale of electricity*

The following table sets out the Group's self-invested solar power stations as at 30 June 2021.

| | On-grid | Pending grid connection | In-progress | Total |
|----------------------------------|----------------|--|--------------------|--------------|
| | MW | MW | MW | MW |
| Location | | | | |
| Guangdong province | 210.4 | 7.0 | 32.6 | 250.0 |
| North-west China | 130.0 | 28.5 | – | 158.5 |
| Golden Sun/ Distributed Power | 142.0 | – | – | 142.0 |
| Overseas | 2.0 | – | – | 2.0 |
| | 484.4 | 35.5 | 32.6 | 552.5 |

The Group's accumulated on-grid capacity increased from 544.3 megawatts ("MW") at 31 December 2020 to 552.5 MW at 30 June 2021, which comprised of 142.0 MW Golden Sun or distributed power stations and 408.5 MW ground-mounted solar farms inside Mainland China and a 2.0 MW solar farm overseas. The sale of electricity, including tariff adjustment amounted to RMB182.3 million in first half 2021 (RMB161.0 million in first half 2020).

Revenue contribution from different business sectors:

Revenue split (including tariff adjustment)

| | For the six months ended 30 June | | | |
|------------------------------------|----------------------------------|--------------|----------------------|--------------|
| | 2021 | | 2020 | |
| | <i>RMB million</i> | <i>%</i> | <i>RMB million</i> | <i>%</i> |
| | <i>(unaudited)</i> | | <i>(unaudited</i> | |
| | | | <i>and restated)</i> | |
| Conventional business ¹ | 751.6 | 30.8 | 583.1 | 26.9 |
| Energy business ² | 1,634.4 | 67.1 | 1,539.6 | 71.0 |
| New materials | 52.4 | 2.1 | 45.3 | 2.1 |
| | <u>2,438.4</u> | <u>100.0</u> | <u>2,168.0</u> | <u>100.0</u> |

^{1.} Included curtain wall and green building construction contracts, sale of conventional materials and rendering of design and other services.

^{2.} Included Solar EPC and Wind Power EPC construction contracts, sale of renewable energy products, sale of petrochemicals, thermal supply and sale of electricity and tariff adjustment.

Other income and gains

Other income and gains during the period ended 30 June 2020 mainly represented the gain on repurchase and cancellation of senior notes, gain on disposal of associates, remission of interest on an other loan, government grants and deferred income released to the profit and loss. The drop in other income and gains during the Period was mainly because our Group did not repurchase and cancel any listed senior notes during the Period.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB6.8 million or 18.2%, as compared to the six months ended 30 June 2020. The drop was mainly because of various cost saving policies imposed by the Group.

Administrative expenses

Administrative expenses slightly decreased by RMB7.4 million or 5.0%, as compared to the six months ended 30 June 2020.

Finance costs

The Group's finance costs decreased by RMB42.0 million or 22.8%, the breakdown of the finance costs is as follows:

| | For the six months ended 30 June | |
|--|---|---|
| | 2021 <i>RMB million</i> (unaudited) | 2020 <i>RMB million</i> (unaudited and restated) |
| Interest on bank and other loans | 67,834 | 89,216 |
| Interest on senior notes | 35,174 | 92,398 |
| Acceleration of unwinding interest | — | 9,657 |
| Interest on discounted bills receivable | 954 | 994 |
| Interest on lease liabilities | 870 | 341 |
| Interest on amounts due to related parties | 46,028 | — |
| | <hr/> | <hr/> |
| Total interest expense | 150,860 | 192,606 |
| Less: interest capitalised | (8,620) | (8,386) |
| | <hr/> | <hr/> |
| | 142,240 | 184,220 |
| | <hr/> <hr/> | <hr/> <hr/> |

Income tax expense

Income tax expense during the Period included RMB45.7 million of taxation charge and RMB1.7 million of deferred tax credit. For the period ended 30 June 2020, it included RMB15.3 million of taxation charge and RMB0.1 million of deferred tax credit.

The taxation charges represented the income tax provision for subsidiaries in Mainland China.

No deferred tax charges on dividend withholding tax based on 5% of the net profits in the operating subsidiaries located inside Mainland China were provided for both periods.

Current ratio

Current ratio as at 30 June 2021 was 1.40 (31 December 2020: 1.53), no significant change has been noted.

Trade receivables/trade and bills payables turnover days

| | 30 June 2021 (unaudited) | 31 December 2020 |
|--------------------------|---|---------------------|
| Turnover days | Days | Days |
| Trade receivables | 264 | 266 |
| Trade and bills payables | 194 | 130 |

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables for the Period divided by the revenue during Period and multiplied by the number of days during the Period. Trade receivables turnover days at 30 June 2021 was 264 days. Trade and bills payables turnover days is calculated based on the average of the beginning and ending balance of trade and bills payables for the Period divided by the cost of sales during the Period. Trade and bills payables turnover days at 30 June 2021 was 194 days.

Liquidity and financial resources

The Group's primary source of funding included bank and other borrowings, advances from Shuifa BVI and receivables from construction contacts, product sale as well as income from electricity sale. As at 30 June 2021, the Group had outstanding bank and other loans of approximately RMB2,544 million and outstanding senior notes of approximately RMB1,463 million.

Apart from that, the Group also had outstanding balance of approximately RMB1,214.0 million due to Shuifa BVI, which bear interest at 6% per annum and is repayable by 31 December 2021.

Capital Expenditures

Capital expenditures of the Group amounted to RMB277.1 million for the Period (six months ended 30 June 2020: RMB59.4 million) and were mainly for the alteration works of the existing self-invested solar farms. The Group acquired certain companies for an aggregate consideration of RMB35.4 million.

Borrowings and bank facilities

The outstanding borrowings comprised bank and other loans of RMB2,544 million with effective interest rates ranging from Hong Kong Inter Bank Offered Rate (“HIBOR”)+3.3% to HIBOR+4% for property mortgage loan and revolving loans in Hong Kong. Interest rates for domestic loans inside Mainland China were ranging from 5.09% to 7.19%.

DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

USE OF PROCEEDS FROM ISSUE OF SHARES

As disclosed in the circular of the Company dated 15 October 2019 (the “Circular”), the Company issued 1,687,008,585 ordinary shares (the “Subscription Shares”) at the Subscription Price of HK\$0.92 per Subscription Share to Water Development (HK) Holding Co., Limited. The aggregate nominal value of the Subscription Shares is US\$16,870,085.85. The closing price as quoted on the Stock Exchange of the shares on 29 March 2019, being the last trading day before the entering into of the Subscription Agreement, was HK\$0.99. The gross proceeds from the Subscription was expected to amount to approximately HK\$1,552,047,898. The net proceeds, after taking into account the estimated expenses in relation to the Subscription (including but not limited to miscellaneous expenses on issue of new Shares certificates to the Subscriber, the preparation of the circular and relevant transaction documents), was approximately HK\$1,550,000,000.

USE OF PROCEEDS

Set out below are the use of proceeds as at 30 June 2021 and additional information in relation to the use of net proceeds from the Subscription as at 31 December 2020:

| | Proposed use of net proceeds as disclosed in the Circular | Unutilised net proceeds as at 1 January 2020 | Actual use of proceeds during the year ended 31 December 2020 | Actual use of net proceeds as at 31 December 2020 | Unutilized net proceeds as at 31 December 2020 and brought forward to 2021 | Expected timeline for the utilization of the net proceeds as at 31 December 2020 | Actual use of proceeds during the six months ended 30 June 2021 | Actual use of net proceeds as at 30 June 2021 | Unutilized net proceeds as at 30 June 2021 |
|--|---|--|---|---|--|--|---|---|--|
| | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | | HK\$ '000 | HK\$ '000 | HK\$ '000 |
| Restructuring of existing debts of the Group | 550,000 | 159,230 | 159,230 | 550,000 | – | – | – | 550,000 | – |
| Fees and expenses related to the overall restructuring exercise | 85,000 | – | – | 85,000 | – | – | – | 85,000 | – |
| Financing the Group's existing EPC business | 500,000 | 332,070 | 332,070 | 500,000 | – | – | – | 500,000 | – |
| Exploring potential merger and acquisition opportunities | 300,000 | 300,000 | 265,000 | 265,000 | 35,000 | By 30 June 2021 | 35,000 | 300,000 | – |
| Providing general working capital and normalised funding levels for the Group's ongoing operations | 115,000 | 91,557 | 91,557 | 115,000 | – | – | – | 115,000 | – |
| Total | 1,550,000 | 882,857 | 847,857 | 1,515,000 | 35,000 | | 35,000 | 1,550,000 | – |

As at 31 December 2020, the net proceeds from the Subscription were used and are proposed to be used according to the intentions previously disclosed in the Circular. As at 30 June 2021, the net proceeds from the Subscription have been fully utilized.

HUMAN RESOURCES

As at 30 June 2021, the Group had about 1,690 employees (31 December 2020:1400). Employee salary and other benefit expenses increased to approximately RMB91.6 million in the first half year of 2021 from approximately RMB69.2 million in the first half of 2020, which represented an increase of 32.4%. The increase was because of the increase in and average wages, and the average number of employees. The Group's remuneration policies are formulated on the performance of individual employees, which will be reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes for Hong Kong employees) or the state-managed retirement pension scheme (for Mainland China employees) and medical insurance, discretionary bonus are also awarded to employees according to the assessment of individual performance.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors consider that the Company has applied the principles and complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the Period and up to the date of this announcement.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Period.

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules and paragraph C.3 of the Code. The primary duties of the Audit Committee are to oversee the financial reporting process and internal control procedure of the Group, to review the financial information of the Group and to consider issues relating to the external auditor. The Audit Committee consists of the three independent non-executive Directors, and Mr. Yick Wing Fat, Simon is the Chairman of the Audit Committee. The Group's interim results announcement for the Period has been reviewed by the Audit Committee of the Group.

PURCHASE, SALE AND REDEMPTION OF COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the Period.

PUBLICATION OF RESULTS ANNOUNCEMENT

This interim results announcement is available for viewing on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at <http://www.hkexnews.hk> and the Company's website at www.sfsyenergy.com and the 2021 interim report of the Company containing all the information required under the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and the Stock Exchange in due course.

By order of the Board
China Shuifa Singyes Energy Holdings Limited
Mr. Zheng Qingtao
Chairman

Hong Kong, 25 August 2021

As at the date of this announcement, the executive Directors are Mr. Zheng Qingtao (Chairman), Mr. Liu Hongwei (Vice Chairman), Mr. Chen Fushan and Mr. Wang Dongwei, the non-executive Directors are Ms. Wang Suhui and Ms. Li Li, and the independent non-executive Directors are Dr. Wang Ching, Mr. Yick Wing Fat, Simon and Dr. Tan Hongwei.