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江山控股

KongSun Holdings

KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

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

The board (the “Board”) of directors (the “Directors”) of Kong Sun Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

(Expressed in Renminbi unless otherwise stated)

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	563,676	774,250
Cost of sales		(218,323)	(285,808)
Gross profit		345,353	488,442
Other gains and losses	4	10,675	(4,726)
Administrative expenses		(104,217)	(113,765)
Loss on disposal of subsidiaries, net		(49,058)	(4,613)
Impairment loss on a disposal group classified as held for sale		(2,692)	–
Impairment loss on trade and other receivables, net	10	(62,783)	(400)
Finance costs	5	(290,843)	(394,885)
Share of profit of associates		7,183	2,634
Loss before income tax	6	(146,382)	(27,313)
Income tax expense	7	(6,916)	(6,174)
Loss for the period		(153,298)	(33,487)

		Six months ended 30 June	
		2021	2020
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(153,362)	(33,733)
Non-controlling interests		64	246
		<u>(153,298)</u>	<u>(33,487)</u>
Loss per share attributable to owners of the Company for the period			
Basic (RMB cents)	8	(1.02)	(0.23)
Diluted (RMB cents)		<u>(1.02)</u>	<u>(0.23)</u>

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(Expressed in Renminbi unless otherwise stated)

	Six months ended 30 June	
	2021	2020
Note	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(153,298)	(33,487)
Other comprehensive income, net of tax		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes in financial assets measured at fair value through other comprehensive income, net	(6,602)	(132,450)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	4,121	1,190
Other comprehensive income for the period, net of tax	(2,481)	(131,260)
Total comprehensive income for the period	(155,779)	(164,747)
Total comprehensive income attributable to:		
Owners of the Company	(155,843)	(164,993)
Non-controlling interests	64	246
	(155,779)	(164,747)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Expressed in Renminbi unless otherwise stated)

		At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		23,430	28,199
Solar power plants		5,146,138	5,358,404
Interests in associates		237,277	227,984
Goodwill		29,622	29,622
Right-of-use assets		243,312	274,361
Financial assets measured at fair value through other comprehensive income		1,268,554	1,275,156
Deferred tax assets		3,695	3,695
		<u>6,952,028</u>	<u>7,197,421</u>
Current assets			
Financial assets measured at fair value through profit or loss		–	16,921
Inventories		3,352	3,598
Trade, bills and other receivables	10	4,100,389	3,561,766
Structured bank deposits		200	4,230
Cash and cash equivalents		262,350	168,947
		<u>4,366,291</u>	<u>3,755,462</u>
Assets of a disposal group classified as held for sale		<u>184,879</u>	<u>3,350,435</u>
Total current assets		<u>4,551,170</u>	<u>7,105,897</u>

		At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	11	880,231	1,060,610
Lease liabilities		19,878	23,142
Loans and borrowings		1,549,764	2,576,645
Corporate bonds		239,905	229,601
Tax payable		2,851	6,325
		<u>2,692,629</u>	<u>3,896,323</u>
Liabilities of a disposal group classified as held for sale		<u>96,291</u>	<u>1,792,136</u>
Total current liabilities		<u>2,788,920</u>	<u>5,688,459</u>
Net current assets		<u>1,762,250</u>	<u>1,417,438</u>
Total assets less current liabilities		<u>8,714,278</u>	<u>8,614,859</u>
Non-current liabilities			
Lease liabilities		155,147	159,086
Loans and borrowings		3,997,300	3,708,933
Corporate bonds		13,129	44,032
		<u>4,165,576</u>	<u>3,912,051</u>
NET ASSETS		<u><u>4,548,702</u></u>	<u><u>4,702,808</u></u>
CAPITAL AND RESERVES			
Share capital	12	6,486,588	6,486,588
Reserves		<u>(2,020,277)</u>	<u>(1,865,637)</u>
Equity attributable to owners of the Company		<u>4,466,311</u>	<u>4,620,951</u>
Non-controlling interests		<u>82,391</u>	<u>81,857</u>
TOTAL EQUITY		<u><u>4,548,702</u></u>	<u><u>4,702,808</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issued on 31 August 2021.

The financial information relating to the financial year ended 31 December 2020 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) of the Laws of Hong Kong (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6, to the Companies Ordinance.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The unaudited interim financial information contains the condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

These condensed consolidated interim financial information are unaudited and have not been reviewed by the auditors, but have been reviewed by the audit committee of the Company (“Audit Committee”) and approved and authorised for issue by the Board on 31 August 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the financial statements contained in the 2020 annual report except for the adoption of the new standards, amendments or interpretations issued by the HKICPA which are mandatory for the annual periods beginning on or after 1 January 2021.

For the six months ended 30 June 2021, the Group have applied the following new and amendments to HKFRS issued by the HKICPA which were effective for the annual periods beginning on or after 1 January 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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The following new or revised HKFRSs, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimate ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendment to HKFRS 3	Reference to the Conceptual Framework ³
Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 ¹
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendment to HKFRS 9, Financial Instruments ²
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

The Group is not yet in a position to state whether these amendments will result in substantial changes to the Group's accounting policies and financial statements.

3. REVENUE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of electricity	532,676	734,915
Trading of LNG	–	12,590
Provision of solar power plant operation and maintenance services	20,499	13,044
Interest income generated from provision of financial services	10,501	13,701
	563,676	774,250

During the six months ended 30 June 2021, sales of electricity includes renewable energy subsidies amounted to approximately RMB352,647,000 (six months ended 30 June 2020: RMB466,356,000).

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	1,191	425
Dividend income	–	8,712
Net foreign exchange gain/(loss)	693	(3,137)
Net unrealised loss on fair value changes on financial assets measured at fair value through profit or loss	–	(8,746)
Net realised gain on disposals of financial assets measured at fair value through profit or loss	284	–
Properties rental income	5,221	–
Government allowance	369	–
Others	2,917	(1,980)
	10,675	(4,726)

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on loans and borrowings	270,473	370,889
Imputed interest on corporate bonds	13,275	15,002
Interest on lease liabilities	7,095	8,994
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	290,843	394,885
Less: interest expense capitalised into solar power plants under construction	—	—
	<hr/>	<hr/>
	290,843	394,885
	<hr/>	<hr/>

6. LOSS BEFORE INCOME TAX

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

A. Employee benefit expenses (including directors' emoluments)

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	56,556	75,732
Contributions to defined contribution retirement plan	7,969	5,165
Equity-settled share-based payment expenses	1,203	2,530
	<hr/>	<hr/>
	65,728	83,427
	<hr/>	<hr/>

B. Other items

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Amortization of right-of-use assets	13,799	17,552
Auditor's remuneration	21	47
Cost of inventories	—	12,531
Depreciation		
— Property, plant and equipment	2,098	3,606
— Solar power plants	156,306	205,054
Operating lease expenses in respect of short-term leases	2,407	8,558
	<hr/>	<hr/>

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
— PRC corporate income tax	6,916	5,972
Deferred tax	<u>—</u>	<u>202</u>
	<u>6,916</u>	<u>6,174</u>

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the six months ended 30 June 2021 and 2020.

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

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

The calculation of basic and diluted loss per share for the six months ended 30 June 2021 is based on loss attributable to owners of the Company for the period of approximately RMB153,362,000 (six months ended 30 June 2020: RMB33,733,000) and on the weighted average number of approximately 14,964,442,000 (six months ended 30 June 2020: 14,964,442,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2021 and 2020 was the same as basic loss per share because the impact of the exercise of share options was anti-dilutive.

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2021 nor has any dividend been proposed since the end of the reporting period up to the date of this announcement (six months ended 30 June 2020: Nil).

10. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	2,495,289	2,207,044
Bills receivables	17,488	2,564
Impairment provision for trade receivables	(26,909)	(38,239)
	<hr/>	<hr/>
Trade and bills receivables, net (<i>note (i)</i>)	2,485,868	2,171,369
	<hr/>	<hr/>
Other receivables, prepayments and deposits	1,820,908	1,522,671
Impairment provision for other receivables	(206,387)	(132,274)
	<hr/>	<hr/>
Other receivables, prepayments and deposits, net	1,614,521	1,390,397
	<hr/>	<hr/>
	4,100,389	3,561,766
	<hr/>	<hr/>

Aging analysis of trade receivables (net of impairment), based on invoice dates, are as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Less than 3 months	215,865	363,724
Over 3 months but less than 6 months	162,600	155,673
Over 6 months but less than 12 months	329,933	300,938
Over 12 months but less than 24 months	695,773	594,676
Over 24 months	1,064,209	753,794
	<hr/>	<hr/>
	2,468,380	2,168,805
	<hr/>	<hr/>

Movements in provision for impairment of trade and other receivables for the six months ended 30 June 2021 are as follows:

	Trade receivables RMB'000 (Unaudited)	Other receivables RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2021	38,239	132,274	170,513
(Reversal)/Impairment provision during the period	<u>(11,330)</u>	<u>74,113</u>	<u>62,783</u>
At 30 June 2021	<u><u>26,909</u></u>	<u><u>206,387</u></u>	<u><u>233,296</u></u>

Notes:

- (i) The Group's trade receivables are mainly receivables from sales of electricity. The bills receivables represented outstanding commercial acceptance bills. Generally, the receivables are due within 30 to 180 days as at 30 June 2021 (31 December 2020: 30 to 180 days) from the date of billing, except for renewable energy subsidies.

Renewable energy subsidies receivables represent PRC government subsidies on solar power plants to be received from the State Grid Company based on the respective electricity sale and purchase agreements for each of the solar power plants and the prevailing nationwide government policies. As at 30 June 2021, the outstanding renewable energy subsidies amounted to approximately RMB2,237,835,000 (31 December 2020: RMB1,896,598,000).

- (ii) As at 30 June 2021, certain trade receivables arising from the sales of electricity amounting to approximately RMB1,473,211,000 (31 December 2020: RMB1,190,157,000) were pledged as securities for the Group's loans and borrowings.

11. TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables	260,183	289,306
Other payables and accruals	620,048	771,304
	<u>880,231</u>	<u>1,060,610</u>

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Current or less than 3 months	12,018	19,476
Over 3 months but less than 6 months	7,580	5,439
Over 6 months but less than 12 months	22,529	77,283
Over 12 months	218,056	187,108
	<u>260,183</u>	<u>289,306</u>

Retention payable amounting to approximately RMB88,223,000 (31 December 2020: RMB139,460,000), which are included in trade and other payables, will be settled after more than one year. All other trade and other payables are expected to be settled within one year or are repayable on demand.

12. SHARE CAPITAL

	Number of shares '000	<i>RMB'000</i>
Issued and fully paid		
At 1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021 and 30 June 2021	<u>14,964,442</u>	<u>6,486,588</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

SOLAR POWER PLANTS BUSINESS

During the six months ended 30 June 2021, the Group continued its investment in and development of solar power plants in the People's Republic of China (the "PRC"). As at 30 June 2021, the Group had a total of 838.8 Megawatt ("MW") completed solar power plants as follows:

Completed solar power plants

PRC Province	Number of solar power plants as at 30 June 2021	Capacity of solar power plants
Xinjiang	7	140.0 MW
Gansu	5	169.0 MW
Shaanxi	4	140.0 MW
Inner Mongolia	1	10.0 MW
Shanxi	1	20.0 MW
Hebei	2	50.0 MW
Henan	2	120.0 MW
Anhui	4	120.0 MW
Zhejiang	1	19.8 MW
Hubei	1	30.0 MW
Qinghai	1	20.0 MW
Total	29	838.8 MW

As at 30 June 2021, the Group had the following wholly-owned ground-mounted solar power plant under construction:

Solar power plant under construction

	Number of solar power plants as at 30 June 2021	Capacity of solar power plants
PRC Province		
Anhui	<u>1</u>	<u>20.0 MW</u>

PROVISION OF FINANCIAL SERVICES

The revenue arising from the provision of financial services decreased by approximately 23.4% from approximately RMB13,701,000 for the six months ended 30 June 2020 to approximately RMB10,501,000 for the six months ended 30 June 2021.

TRADING OF LIQUEFIED NATURAL GAS

There was no revenue arising from the trading of liquefied natural gas for the six months ended 30 June 2021 as compared to approximately RMB12,590,000 for the six months ended 30 June 2020. The decrease is mainly due to the plan to allocate resources to other segments.

SECURITIES INVESTMENT

As at 30 June 2021, the Group did not have any investment in the capital market (31 December 2020: RMB16,921,000). As at 31 December 2020, the portfolio of investments managed by the Group consists of investment in one listed equity in Hong Kong. During the six months ended 30 June 2021, the Group disposed all of its listed equity investment at a cash consideration of approximately RMB16,728,000 and resulting in a net realised gain on disposal on financial assets measured at fair value through profit or loss amounted to approximately RMB284,000. For further details, please refer to the paragraph headed “Results of Operations — Financial Assets Measured at Fair Value through Profit or Loss” in this announcement.

RESULTS OF OPERATIONS

Revenue

The revenue of the Group decreased by approximately 27.2% from approximately RMB774,250,000 for the six months ended 30 June 2020 to approximately RMB563,676,000 for the six months ended 30 June 2021. The decrease was due to the decrease in revenue from sales of electricity and trading of liquefied natural gas during the period.

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

The Group's revenue from sales of electricity decreased by approximately 27.5% from approximately RMB734,915,000 for the six months ended 30 June 2020 to approximately RMB532,676,000 for the six months ended 30 June 2021. As at 30 June 2021, the Group had a total of 838.8 MW (31 December 2020: 1,178.8 MW) installed capacity of solar power plants. The solar power plants owned by the Group have generated electricity in an aggregate volume of approximately 718,774 megawatt-hour ("MWh") for the six months ended 30 June 2021, representing a decrease of approximately 26.9% as compared to approximately 983,265 MWh for the six months ended 30 June 2020.

The Group's revenue from provision of solar power plant operation and maintenance services increased by approximately 57.2% from approximately RMB13,044,000 for the six months ended 30 June 2020 to approximately RMB20,499,000 for the six months ended 30 June 2021.

Revenue from Provision of Financial Services

The Group's revenue arising from the provision of financial services decreased by approximately 23.4% from approximately RMB13,701,000 for the six months ended 30 June 2020 to approximately RMB10,501,000 for the six months ended 30 June 2021.

Trading of Liquefied Natural Gas

There was no revenue arising from the trading of liquefied natural gas for the six months ended 30 June 2021 as compared to approximately RMB12,590,000 for the six months ended 30 June 2020. The decrease is mainly due to the plan to allocate resources to other segments.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately 29.3% from approximately RMB488,442,000 for the six months ended 30 June 2020 to approximately RMB345,353,000 for the six months ended 30 June 2021. The gross profit margin of the Group decreased from approximately 63.1% for the six months ended 30 June 2020 to approximately 61.3% for the six months ended 30 June 2021 mainly due to the disposal of subsidiaries which has a higher gross profit margin than that of the Group during the period.

Other Gains and Losses

The Group recorded other gains of approximately RMB10,675,000 (six months ended 30 June 2020: losses of approximately RMB4,726,000) for the six months ended 30 June 2021. The change was mainly due to (i) the decrease in net foreign exchange loss of approximately RMB3,830,000; (ii) the decrease in net unrealised loss on fair value changes on financial assets measured at fair value through profit or loss of approximately RMB8,746,000; and (iii) the increase in properties rental income of approximately RMB5,221,000, offset by decrease in dividend income of approximately RMB8,712,000.

Administrative Expenses

Administrative expenses of the Group decreased by approximately 8.4% from approximately RMB113,765,000 for the six months ended 30 June 2020 to approximately RMB104,217,000 for the six months ended 30 June 2021. The decrease was mainly attributable to the decrease in employee benefit expenses (including directors' emoluments) of approximately RMB15,993,000 as a result of the decrease in number of head count of high grade employee of the Group during the six months ended 30 June 2021.

Loss on Disposal of Subsidiaries, Net

During the six months ended 30 June 2021, the Group disposed of three (six months ended 30 June 2020: ten) subsidiaries, and recorded net loss on such disposals of approximately RMB49,058,000 (six months ended 30 June 2020: RMB4,613,000).

Impairment loss on a disposal group classified as held for sale

On 22 October 2020, the Group entered into sale and purchase agreement with an independent third party to dispose the entire equity interests in 平山縣天匯能源科技有限公司 (Pingshan Tianhui Energy Technology Co., Ltd.*) ("Tianhui") for an equity consideration of approximately RMB34,229,000.

An impairment loss of approximately RMB2,692,000, representing the difference between the net asset value of Tianhui as at 31 December 2020 and 30 June 2021, was charged to profit or loss during the six months ended 30 June 2021.

No such amount was recorded for the six months ended 30 June 2020.

Impairment loss on trade and other receivables, net

During the six months ended 30 June 2021, the Group has made an impairment regarding certain other receivables amounting to approximately RMB62,783,000. It was mainly due to the Group not able to recover certain other receivables related rectification works.

No such amount was recorded for the six months ended 30 June 2020.

Finance Costs

Finance costs of the Group decreased by approximately 26.3% from approximately RMB394,885,000 for the six months ended 30 June 2020 to approximately RMB290,843,000 for the six months ended 30 June 2021. As the Group's total loans and borrowings decreased as compared to the corresponding period last year, the finance costs related to these borrowings also decreased.

Solar Power Plants

As at 30 June 2021, the Group had a net carrying value of approximately RMB5,133,995,000 (31 December 2020: RMB5,346,495,000) and approximately RMB12,143,000 (31 December 2020: RMB11,909,000) in completed solar power plants and solar power plants under construction, respectively. During the six months ended 30 June 2021, the Group successfully completed the disposals of solar power plants of three (six months ended 30 June 2020: ten) subsidiaries with total installed capacity of 340 MW. As at 30 June 2021, the Group had a total of 838.8 MW (31 December 2020: 1,178.8 MW) installed capacity of completed solar power plants.

Interest in associates

As at 30 June 2021, the net carrying amount of associates was approximately RMB237,277,000 (31 December 2020: RMB227,984,000).

Goodwill

As at 30 June 2021, the Group had a total amount of approximately RMB29,622,000 (31 December 2020: RMB29,622,000) in respect of goodwill on the previous acquisitions of subsidiaries.

Right-of-use Assets

As at 30 June 2021, the right-of-use assets amounted to approximately RMB243,312,000 (31 December 2020: RMB274,361,000).

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income decreased by approximately 0.5% from approximately RMB1,275,156,000 as at 31 December 2020 to approximately RMB1,268,554,000 as at 30 June 2021. The decrease is due to fair value loss on the unlisted equity investments of approximately RMB6,602,000. The investments are held for long-term investment purpose and hence are classified as financial assets measured at fair value through other comprehensive income in the condensed consolidated statement of financial position.

Financial Assets Measured at Fair Value through Profit or Loss

As at 30 June 2021, the Group did not have any financial assets measured at fair value through profit or loss (31 December 2020: RMB16,921,000). As at 31 December 2020, the portfolio of investments managed by the Group consists of investment in one listed equity in Hong Kong. During the six months ended 30 June 2021, the Group disposed all of its listed equity investment at a cash consideration of approximately RMB16,728,000 and resulting in a net realised gain on disposal on financial assets measured at fair value through profit or loss amounted to approximately RMB284,000.

Trade, Bills and Other Receivables

Trade, bills and other receivables increased by approximately 15.1% from approximately RMB3,561,766,000 as at 31 December 2020 to approximately RMB4,100,389,000 as at 30 June 2021. The increase was mainly due to an increase in trade and bills receivables, net by approximately 14.5% from approximately RMB2,171,369,000 as at 31 December 2020 to approximately RMB2,485,868,000 as at 30 June 2021.

Structured bank deposits

As at 30 June 2021, the Group placed approximately RMB200,000 (31 December 2020: RMB4,230,000) structured bank deposits with a bank in the PRC to earn a guaranteed and capital-protected return by making good use of the idle cash of the Group.

Trade and Other Payables

Trade and other payables decreased by approximately 17.0% from approximately RMB1,060,610,000 as at 31 December 2020 to approximately RMB880,231,000 as at 30 June 2021. The balance mainly comprised payables to suppliers of solar modules and equipment and Engineering Procurement Construction (“EPC”) contractors for purchase of solar modules and equipment and construction costs of solar power plants. The decrease was mainly due to the decrease in interest payable of approximately RMB108,340,000 as at 30 June 2021 as compared to 31 December 2020.

Lease Liabilities

As at 30 June 2021, the lease liabilities amounted to approximately RMB175,025,000 (31 December 2020: RMB182,228,000).

Liquidity and Capital Resources

As at 30 June 2021, cash and cash equivalents of the Group was approximately RMB262,350,000 (31 December 2020: RMB168,947,000), which included an amount of bank balances of approximately RMB248,168,000 (31 December 2020: RMB167,743,000) denominated in RMB placed with banks in the PRC. The remaining balance of the Group’s cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily denominated in Hong Kong dollar and placed with banks in Hong Kong.

As at 30 June 2021, the Group’s net debt ratio, which was calculated by the total loans and other borrowings and corporate bonds minus total cash and cash equivalents and structured bank deposits, over total equity, was approximately 1.22 (31 December 2020: 1.36).

Capital Expenditure

During the six months ended 30 June 2021, the Group’s total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB429,000 (six months ended 30 June 2020: RMB3,221,000) and approximately RMB4,616,000 (six months ended 30 June 2020: RMB5,671,000), respectively.

Loans and Borrowings

As at 30 June 2021, the Group's total loans and borrowings was approximately RMB5,547,064,000, representing a decrease of approximately 11.7% as compared to approximately RMB6,285,578,000 as at 31 December 2020. All loans and borrowings of the Group were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC. As at 30 June 2021, loans and borrowings of approximately RMB3,789,103,000 (31 December 2020: RMB4,407,500,000) and approximately RMB1,757,961,000 (31 December 2020: RMB1,878,078,000) bear fixed interest rate and floating interest rate, respectively.

As at 30 June 2021, out of the total borrowings, approximately RMB1,549,764,000 (31 December 2020: RMB2,576,645,000) was repayable within one year and approximately RMB3,997,300,000 (31 December 2020: RMB3,708,933,000) was repayable after one year.

Corporate Bonds

As at 30 June 2021, corporate bonds denominated in Hong Kong dollar with an aggregate principal amount of HK\$309,000,000 (equivalent to approximately RMB257,113,000) (31 December 2020: HK\$336,500,000 (equivalent to approximately RMB283,212,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 7% (31 December 2020: 3% to 7%) per annum, and will mature on the date immediately following 6 to 96 months (31 December 2020: 3 to 96 months) after their issuance.

During the six months ended 30 June 2021 and 2020, the Group did not issue any corporate bonds.

During the six months ended 30 June 2021, the Group repaid HK\$27,500,000 (equivalent to approximately RMB22,882,000) (six months ended 30 June 2020: HK\$5,000,000 (equivalent to approximately RMB4,567,000)) in aggregate principal amount of the corporate bonds.

The corporate bonds are measured at amortised cost using effective interest method by applying an effective interest rate ranging from 10.40% to 14.56% (six months ended 30 June 2020: 10.40% to 14.56%) per annum. Imputed interest of approximately HK\$15,921,000 (equivalent to approximately RMB13,275,000) (six months ended 30 June 2020: HK\$16,558,000 (equivalent to approximately RMB15,002,000)) (note 5 to the "Notes to the Condensed Consolidated Interim Financial Statements" of this announcement) in respect of the corporate bonds was recognised in profit or loss during the six months ended 30 June 2021.

Foreign Exchange Rate Risk

The Group primarily operates its business in the PRC and during the six months ended 30 June 2021, the Group's revenue were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Directors expect that any future exchange rate fluctuation will not have any material effect on the Group's business. The Group did not use any financial instruments for hedging purposes, but will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on Assets

As at 30 June 2021, the Group had charged solar power plants, trade receivables, right-of-use assets and unlisted equity investments with net book value of approximately RMB2,643,857,000 (31 December 2020: RMB3,324,494,000), approximately RMB1,473,211,000 (31 December 2020: RMB1,190,157,000), approximately RMB209,000 (31 December 2020: RMB719,000) and approximately RMB284,094,000 (31 December 2020: RMB295,441,000), respectively, to secure bank loans and other loans facilities granted to the Group.

Save as disclosed above, during the six months ended 30 June 2021, the Group has no other charges on assets.

Contingent Liabilities

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

As at 30 June 2021, the Group had executed a guarantee with respect to a loan of approximately RMB1,630,000,000 granted by independent third parties to 榆林市江山永宸新能源有限公司 (Yulin City Jiangshan Yongchen New Energy Limited*), an indirectly wholly-owned subsidiary of the Company before its disposal on 30 April 2021.

Save as disclosed above, during the six months ended 30 June 2021, the Group has no other significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2021, the Group had approximately 660 employees (31 December 2020: 622) in Hong Kong and in the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2021, the total employee benefit expenses (including directors’ emoluments) were approximately RMB65,728,000 (six months ended 30 June 2020: RMB83,427,000). For details, please refer to note 6(a) to the “Notes to the Condensed Consolidated Interim Financial Statements” of this announcement. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short-term bonuses and long-term rewards, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

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

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this announcement, the Group did not have any other significant investments, other material acquisition or disposal during the six months ended 30 June 2021, and there was no plan authorised by the Board for other material investments or additions of capital assets up to the date of this announcement.

PROSPECT

With more than 130 countries proposing targets of “zero carbon” or “carbon neutrality”, renewable energy has become the dominant energy source, and the penetration rate of solar power continues to increase around the world. China also witness the major trend of clean energy transformation, where the solar power industry is poised for new development.

During the first half year of 2021, China’s clean energy industry continued to develop steadily under the goal of “peaked carbon and carbon neutrality” proposed by the Chinese government, while the solar power supply chain prices remained high as the installed capacity expanded steadily. As at 30 June 2021, the installed capacity of renewable energy in China has reached 971 million KW, including 268 million KW of solar power installed capacity and 292 million KW of wind power installed capacity. The continuous growth of the installed capacity of renewable energy also provides favourable development opportunities to the renewable energy plants operation and maintenance services businesses.

Looking forward, grasping the historic opportunities in the clean energy industry, the Group will continue the strategies on the operation of solar power plants, optimise asset allocation efficiency, safeguard the Group’s cash flow, and step up to improve the efficiency of the equipment at the power stations. The Group will endeavour to further explore other investment opportunities in the clean energy industry, so as to maximise the return of the assets and value for the shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors’ confidence to the Company and the Company’s accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for its corporate governance practices during the period under review. In the opinion of the Board, save for the deviation as disclosed below, the Company has complied with the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2021.

Code Provision A.4.1

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

Code provision A.2.1

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

EVENTS AFTER REPORTING DATE

On 10 July 2021, the Group entered into sale and purchase agreements with an independent third party to dispose the entire equity interests in 金塔縣永嘉新能源有限公司 (Jinta Yongjia New Energy Limited*), 甘肅宏遠光電有限責任公司 (Gansu Hongyuan Photovoltaic Limited*), 敦煌萬發新能源有限公司 (Dunhuang Wanfa New Energy Limited Company*), 化隆縣瑞啟達新能源有限公司 (Hualong County Ruiqida New Energy Limited*), 黃驊市正陽新能源有限公司 (Huanghua Zhengyang New Energy Limited*), 嘉峪關協合新能源有限公司 (Jiayuguan Xiehe New Energy Co. Ltd.*) and 臨潭天朗新能源科技有限公司 (Lintan Tianlang New Energy Technology Co., Ltd.*) for total equity consideration of approximately RMB1,285,814,000. The transactions were pending to be approved by the shareholders in an extraordinary general meeting to be held on 14 September 2021.

Save as disclosed above, there are no important events affecting the Group which have occurred after 30 June 2021 and up to the date of this announcement.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Model Code as the code for dealing in securities of the Company by the Directors. The Company confirms that, having made specific enquiries with all the Directors, all the Directors have complied with the required standard of the Model Code during the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed, with no disagreement, the Group's condensed consolidated financial statements for the six months ended 30 June 2021 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the Company's website at www.kongsun.com. The interim report for the six months ended 30 June 2021 of the Group will also be published on the same websites and despatched to the shareholders of the Company in due course.

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

Hong Kong, 31 August 2021

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

* *For identification purposes only*