China Ruifeng Renewable Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00527)

ANNUAL REPORT 2021

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COMPANY INFORMATION

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00527

EXECUTIVE DIRECTORS

Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qu Weidong
Ms. Hu Xiaolin
Mr. Jiang Senlin

AUDIT COMMITTEE

Mr. Jiang Senlin *(chairman of the Audit Committee)*
Mr. Qu Weidong
Ms. Hu Xiaolin

REMUNERATION COMMITTEE

Ms. Hu Xiaolin
(chairman of the Remuneration Committee)
Mr. Zhang Zhixiang
Mr. Qu Weidong
Mr. Jiang Senlin

NOMINATION COMMITTEE

Mr. Qu Weidong
(chairman of the Nomination Committee)
Mr. Zhang Zhixiang
Ms. Hu Xiaolin
Mr. Jiang Senlin

COMPANY SECRETARY

Ms. Wong Yuk Ki

AUTHORISED REPRESENTATIVES

Mr. Zhang Zhixiang
Ms. Wong Yuk Ki

PRINCIPAL BANKERS

In Hong Kong:

Bank of China (Hong Kong) Limited
China Minsheng Banking Corporation Limited
Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia Limited

*In the People's Republic of China (the "**PRC**"):*

Bank of China Limited
Agricultural Development Bank of China
Industrial and Commercial Bank of China Limited
Bank of Chengde Company Limited
China Construction Bank Corporation
Bank of Hebei Company Limited

COMPANY INFORMATION

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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6–8 Harbour Road, Wanchai
Hong Kong

COMPANY WEBSITE

www.c-ruifeng.com

AUDITORS

Linksfield CPA Limited
Certified Public Accountants
Public Interest Entity Auditor
Room 2001–02, 20/F., Podium Plaza
5 Hanoi Road
Tsim Sha Tsui
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen’s Road East
Hong Kong

CORPORATE PROFILE

As a renewable energy enterprise specialised in wind power operation, China Ruifeng Renewable Energy Holdings Limited ("**Ruifeng Renew**" or the "**Company**") together with its subsidiaries (collectively, the "**Group**") is principally engaged in the businesses of wind power generation and is continuing to search for investment opportunities in the energy sectors. In addition, in order to diversify the business risk and to expand various income streams, the company has also been seeking development opportunities in the financial sectors, with the aim to facilitate the development of, and complement with each other, the continuous enhancement of the Company's industrial structure and the establishment of a solid foundation, in order to reinforce the comprehensive development of its wind power operation.

Since 2013, through steady acquisition of additional ownership interest in Hebei Hongsong Renewable Energy Investment Co., Ltd. ("**Hongsong Renewable Energy**") (the second largest shareholder of Hebei Hongsong Wind Power Co., Ltd. ("**Hongsong**")), the Group's current indirect control in Hongsong is 86.55%.

Hongsong has an installed capacity of 398.4 megawatt ("**MW**"), and its maximum installable capacity is 596.4 MW.

Apart from Hongsong's wind farm, Baotou City Yinfeng Huili New Energy Investment Limited ("**Baotou Yinfeng**"), a subsidiary of the Group is principally engaged in the development of a wind farm that generates renewable energy in the Inner Mongolia Autonomous Region. The wind farms of Baotou Yinfeng have been developing since mid 2016 and the expected installable capacity of phase 1 of the wind farms (the "**Phase 1 Project**") operation is 49.8 MW. Phase 1 Project is still under construction which is expected to be completed in the coming years and would contribute to the Group's revenue from the operation of wind farms in the future.

The Company has been also in touch with prospective partners in the financial sectors and is keeping its eyes open for investment opportunities in other renewable energy businesses.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Ruifeng Renewable Energy Holdings Limited ("**Ruifeng Renew**" or the "**Company**", together with its subsidiaries referred to as the "**Group**"), I hereby present to the shareholders of the Company (the "**Shareholders**") the results of the Group for the year ended 31 December 2021 (the "**Reporting Period**").

As a renewable energy enterprise specialising in wind power development and operation, during the year of 2021, the Group was principally engaged in the business of wind farms operation and was continuing to search for other investment opportunities in the new energy sectors. This included the expansion of its business scope to the research and development, production, and sales of hydrogen vehicles, hydrogen fuel cells and power systems, wind power to hydrogen generation, hydrogen storage, and other activities through potential acquisitions and joint venturing, with the aim to facilitate the continuous development and perfection of the Company's industrial chain, increase its revenue streams while enhancing its ability to withstand risks, which will solidify the foundation to reinforce the comprehensive development of its new energy operation.

2021 was the opening year for the 14th Five-year Plan. In 2021, the COVID-19 pandemic was still raging across the world. However, benefitting from the comprehensive pandemic prevention and control policy implemented by the PRC government to "guard against the importation of cases and the resurgence of domestic infections", China kept the COVID-19 situation under control by effectively suppressing further massive outbreaks. As a result, its economic activities have recovered significantly as compared to 2020. According to the National Bureau of Statistics of China, China's Gross Domestic Product ("**GDP**") increased by 8.1% year-on-year ("**YoY**") in 2021, while the national electricity consumption increased by 10.3% YoY to 8,312.8 billion kWh during the period between January and December 2021.

In September 2020, the PRC government proposed the goals of achieving peak carbon emissions and carbon neutrality at the 75th United Nations General Assembly for the first time. It also listed "achieving peak carbon emissions and carbon neutrality" as one of its key tasks in 2021 at its Central Economic Work Conference 2020. Meanwhile, US President Biden reinstated the US to the Paris Climate Agreement and promised to reach 100% carbon pollution-free electricity by 2035. As of this date, it has become the common goal for major countries in the world to transition to a clean energy system, where energy is generated mainly by wind and solar power, as well as other renewable energy sources. Such transition has given rise to unprecedented development opportunities. As a renewable energy enterprise specialised in wind power, the Company will seize opportunities created by the global clean energy transition and focus on improving its development quality and efficiency to become a world-class renewable energy enterprise characterised by a large scale, high market share, great contribution to the society, strong profitability, solid competitiveness, and sound sustainability, with the objective of bringing continuous, stable and substantial returns to the Shareholders.

In the future, the progression of the market-based reform of China's electricity tariff market and the relaunch of the Chinese Certified Emission Reduction (CCER) scheme are expected to bring additional revenue to the Group. Ruifeng Renew will consolidate its resources and continue to focus on its new energy business that specialises in wind power. By enhancing the operational efficiency and reducing costs of the Group's existing wind farms on one hand, and actively seeking other possible development opportunities on the other, Ruifeng Renew will strive for a solid foothold in the new energy industry in the near future.

CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board, I would like to express my gratitude to the Shareholders, investors, and business partners for their continuing care of and support to the Group. I would also like to thank the management team and all the staff for their contributions and dedication to the development of the Group. The Group is committed to bringing better returns to the Shareholders and investors through sound and pragmatic development strategies.

Zhang Zhixiang
Chief Executive Officer

Hong Kong, 25 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Wind farm operations

For the year ended 31 December 2021, the revenue from the wind farm operations amounted to approximately RMB349,995,000 (2020: approximately RMB346,401,000), representing an increase of approximately 1% from that of year ended 31 December 2020.

Hongsong's wind farm projects

The construction of the Phase 9 Project — The Yuanhui Project of Hongsong had been completed in December 2013. Hongsong currently has an installed capacity of 398.4 MW, and its wind farm operated in a steady and stable status in 2021 which made primarily contribution to the Group's revenue for the year ended 31 December 2021.

Baotou Yinfeng's wind farm projects

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

OPERATING ENVIRONMENT

Overcoming the temporary economic slowdown brought by the COVID-19 pandemic in 2021, China's GDP has recorded an increase by 8.1% year on year for the year ended 31 December 2021, evidencing China's entering into the "new normal" mode of economic development. Compared to 2020, China's economy maintained a stable trend with increasing positive changes and stabilising growth. China's GDP growth for the fourth quarter of 2021 increased by 4% year on year, while various indicators such as industrial electricity consumption, power generation and freight volume during the current year witnessed significantly accelerated growth, and the industry showed a clearly stabilising trend.

While the growth of China's wind power industry is growing steady in recent years, China's economy still maintains a steady growth trend and the wind power industry still managed to record a fairly good development in 2021. According to the National Energy Administration of China, the newly installed on-grid wind power capacity in 2021 was 47.57 gigawatt ("**GW**"). The accumulative on-grid wind power capacity reached 328 GW, accounting for approximately 14% of all power generation installed capacity. Wind power generation capacity for the year reached 652,600 GW, accounting for approximately 7.9% of all power generation output. The national average wind power utilisation hours was 2,246 hours. The national wind power curtailment was 20,600 GWh (2020: 16,600 GWh), with a year-on-year increase of 4,000 GWh.

The focus of the PRC government in the development of renewable energy is to promote the use of wind power and clean energies by implementing various measures and policies, providing the Company tremendous opportunities in the development of its wind farm business, the core operating business of the Company. It appears that the PRC government will continue to support the development of wind power industry with full commitment. This for sure will lay a solid foundation for the development of the Company by way of the unique policy advantages and favorable development environment, and it is expected that the wind power industry will head towards a new stage of development, whilst the Company will undoubtedly benefit from this development.

MAJOR RISKS AND UNCERTAINTIES

(1) Risks of wind turbine equipment utilisation hours fluctuation

The average number of utilisation hours of power generation equipment are influenced by the electric supply and demand, and therefore fluctuate accordingly. The average utilisation hours of the Company's Hongsong Wind Farm in Hebei Province for the years 2020 and 2021 were 1,987 and 1,978 hours, respectively. Should the economic growth rate slackened, there are risks in fluctuations of the average utilisation hours of the Company's wind turbine equipment in the future, and these will definitely have an impact on the Company's profitability.

(2) Risks of wind power pricing fluctuation

In December 2016, the NDRC issued the "Notice on Adjustments to Benchmark on-grid tariffs for Photovoltaic Power and Onshore Wind Power" (《關於調整光伏發電陸上風電標杆上網電價的通知》) to promote healthy and orderly development of the photovoltaic power and wind power industry and decided to adjust the new energy benchmark on-grid tariff policy pursuant to the "Renewable Energy Law (《可再生能源法》)". In May 2019, the NDRC issued the "Notice on Improving Wind Power On-Grid Tariff Policy" (《關於完善風電上網電價政策的通知》), requiring that all newly approved onshore wind power projects shall fully achieve grid parity from 1 January 2021 and will no longer be subsidized by the PRC government. In January 2020 and October 2020, the Ministry of Finance, the NDRC and the National Energy Administration of China issued the "Opinions on Promoting the Healthy Development of Non-hydro Renewable Energy Power Generation" (《關於促進非水可再生能源發電健康發展的若干意見》) and its Supplementary Circular (《關於<關於促進非水可再生能源發電健康發展的若干意見>有關事項的補充通知》), setting out the settlement rules for the additional subsidy funds for renewable energy electricity prices. Through technological advancement and market competition, efforts will be made to further significantly reduce the cost of wind power development, and gradually reduce its dependence on subsidies. It is anticipated that wind power prices will continue to fall, and this may have an impact on the Company's profitability.

(3) Risks arising from interest rate fluctuations

The Company's new energy electricity business is capital intensive, and electricity project constructions are characterised by large scale investments and lengthy return on investment periods. The Company has launched many new projects in recent years, and some of the investment capital other than those for special projects were mainly secured through loans and other methods. The Company's financial costs will be influenced by possible interest rate fluctuations arising from changes in macro-political and economic environment, both domestically and internationally, as well as from changes in China's economic policies.

FUTURE PROSPECTS

To promote its goals of achieving peak carbon emissions and carbon neutrality, China will gradually promulgate plans for key areas and industries to peak carbon emissions and implement a series of supporting measures to construct a "1+N" policy framework for carbon peak and carbon neutrality. China will firmly implement its new concept of green development, promote resource conservation and recycling in all aspects, continue to adjust industrial and energy structures, and vigorously develop renewable energy sources by accelerating the construction of large-scale wind and photovoltaic (PV) grid projects in Gobi and other desert areas.

During the opening year of the 14th Five-year Plan, China has been steadily developing its wind and solar power industries. Its offshore and decentralised wind power projects and domestic PV projects garnered attention. The grid-connected installed capacities of its wind and PV power were 47.57 million kW and 54.88 million kW, respectively. Offshore wind power capacity increased by 16.90 million kW, and the accumulated installed capacity reached 26.39 million kW, thereby allowing China to overtake the UK as the largest wind power generator in the world. Abandoned wind and PV power rates steadily decreased throughout the year, with consumption rates amounting to 96.9% and 97.9%, respectively. Under its "dual carbon" goals, China has entered a new era in relation to its wind and solar energy. National policies will continue to be optimised and adjusted to solve restrictive factors such as the assessment mechanism, consumption conditions, and industry-finance integration, in order to create a standardised market environment, delegate administrative powers and improve government services, give full play to the dynamics of local governments and market entities, and bring new momentum to the wind and solar power industries.

Thanks to technological advancement, wind energy prices are on the decrease due to equipment manufacturers building larger but lighter wind turbine products. On the other hand, as a result of the Chinese government's increased investment in smart grids and ultra-high-voltage electrical transmission cables, abandoned wind rates and power rationing hours have been decreasing year by year, while utilisation hours for wind power have increased significantly. At present, wind power has achieved grid parity, and its economic benefits have become increasingly prominent.

In the future, the Group will continue to consolidate its resources on the development and operation of various renewable energy systems such as wind farms, with the aim of becoming one of the pillar companies in the renewable energy industry in northern China. Through joint development and acquisitions, the Group will continue seeking opportunities to develop its renewable energy business in new and clean energy areas other than wind power. Moreover, the Group will continue to look for and acquire power stations with good development prospects and established operations to strengthen its existing business of operating and maintaining wind farms in northern China, gradually expand its business coverage to surrounding areas, and increase its interaction with other business sectors. At the same time, the Group is actively seeking opportunities to expand its business scope to hydrogen-related businesses including the production of hydrogen vehicles, wind power to hydrogen generation, hydrogen storage, and building and operation of a hydrogen fuel station. It is believed that such expansion is in line with the climate commitments of the Central Government of the PRC to achieve peak carbon emissions before 2030 and carbon neutrality by 2060. The Group will primarily raise fund in the capital market to achieve future development projects.

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

FINANCIAL REVIEW

The Group is principally engaged in wind farm operations during the year under review. Operating results for the years ended 31 December 2021 and 31 December 2020 are as follows:

	Year ended 31 December		**Increase/**	**Approximate change in**
	2021	2020	**(decrease)**	**percentage**
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**352,407**	346,401	6,006	2
Gross profit	**112,770**	123,373	(10,603)	(9)
Operating (loss)/profit	**(195,638)**	60,857	(256,495)	(421)
Loss before income tax	**(342,603)**	(173,877)	168,726	97
Loss for the year	**(358,678)**	(203,973)	154,705	76
Attributable to:				
The owners of the Company	**(368,557)**	(213,010)	155,547	73
Non-controlling interests	**9,879**	9,037	842	9
Loss for the year	**(358,678)**	(203,973)	154,705	76

		Year ended 31 December	
	Notes	**2021**	2020
Net debt *(RMB'000)*	*1*	**(1,460,422)**	(1,362,795)
Net assets *(RMB'000)*	*2*	**281,188**	633,223
Liquidity ratio	*3*	**118%**	158%
Trade receivables turnover (number of days)	*4*	**322**	275
Trade payables turnover (number of days)	*5*	**12**	5
Earning interest multiple	*6*	**1.34**	0.24
Net debt to capital ratio	*7*	**519%**	215%

Notes:

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

Revenue

During the year under review, the Group's revenue was derived from the business of wind power generation and incineration of medical wastage. The Group's operating bases for the business of wind power generation are mainly located in Chengde City of Hebei Province and Inner Mongolia, the PRC.

Revenue for the year ended 31 December 2021 was approximately RMB352,407,000, representing a slight increase compared to approximately RMB346,401,000 for the year ended 31 December 2020.

Analysis of the Group's revenue for the two years ended 31 December 2021 and 31 December 2020 are set out below:

	2021 ***RMB'000***	2020 *RMB'000*	**Increase/ (decrease)** *RMB'000*	**Approximate change in percentage** *%*
Sales of electricity	**258,591**	256,301	2,290	0.9
Tariff adjustment	**96,179**	94,997	1,182	1
Business tax and surcharges	**(4,782)**	(4,897)	(115)	(2)
Incineration of medical wastage	**2,419**	—	2,419	100
Total	**352,407**	346,401	6,006	2

Cost of Sales

Cost of sales mainly included the cost of raw materials, staff costs, depreciation, repair and maintenance cost, water, electricity, gas, and other ancillary materials. Cost of sales for the year ended 31 December 2021 accounted for approximately RMB239,637,000 (2020: approximately RMB223,028,000), which represented approximately 68% of the Group's revenue (2020: approximately 64%).

Gross Profit

Gross profit was approximately RMB112,770,000 for the year ended 31 December 2021 (2020: approximately RMB123,373,000) which was primarily derived from the operation of the Group's business of wind power generation. The gross profit margin for the year ended 31 December 2021 was approximately 32%, as compared to approximately 36% for the year 31 December 2020.

Other Income and Other Gains/(Losses)

Other income and other gains for the year ended 31 December 2021 was mainly comprised of (i) refund of value-added tax from the PRC government amounted to approximately RMB19,373,000 (2020: approximately RMB20,314,000); (ii) rental income from operating leases amounted to approximately RMB2,301,000 (2020: approximately RMB2,363,000); (iii) waiver of interest payables of other loans amounted to approximately RMB2,517,000 (2020: Nil); and (iv) other government subsidy amounted to approximately RMB64,000 (2020: approximately RMB631,000).

Administrative Expenses

Administrative expenses mainly included salaries and welfare expenses, professional fees, rental expenses, depreciation expenses, office expenses and other taxation expenses. It increased by approximately 57% to approximately RMB71,559,000 for the year ended 31 December 2021 as compared with that of approximately RMB45,504,000 for the year ended 31 December 2020.

The increase was mainly due to the presence of share-based payments arising from the issuance of share options and share warrants amounted to approximately RMB10,300,000 (2020: Nil) and RMB8,565,000 (2020: Nil) respectively.

Provision for Expected Credit Losses on Other Receivables

Provision for expected credit losses on other receivables amounted to approximately RMB234,171,000 were recognised for the year ended 31 December 2021 (2020: approximately RMB47,700,000). The Group performs impairment assessment under expected credit loss model on other receivables individually. Based on the assessment, the recoverability of certain other receivables was remote and provision of expected credit losses was recognised.

Finance Costs

Finance costs mainly referred to the interest expenses of the Group's borrowings including bank loans and other loans obtained and Corporate Bonds, Notes and Convertible Bonds (as defined below) issued by the Company amounted to approximately RMB146,663,000 for the year ended 31 December 2021 (2020: approximately RMB140,271,000). The slight increase was mainly due to increase in interest expenses of other loans incurred during the year under review.

Taxation

Taxation expenses decreased to approximately RMB16,075,000 for the year ended 31 December 2021 (2020: approximately RMB30,096,000). Such decrease was mainly derived from the decrease in taxable profits of Hongsong.

Loss for the Year

Loss for the year ended 31 December 2021 was approximately RMB358,678,000 (2020: approximately RMB203,973,000). The increase in loss for the year was mainly due to (i) the increase in provision for expected credit losses on other receivables incurred for the year ended 31 December 2021; and (ii) impairment loss on property, plant and equipment for the year ended 31 December 2021 of approximately RMB40,657,000 (2020: Nil) based on impairment assessment.

Loss attributable to the owners of the Company was approximately RMB368,557,000 (2020: approximately RMB213,010,000).

Net Current Assets

Net current assets as at 31 December 2021 was approximately RMB145,826,000 (2020: approximately RMB610,297,000). Decrease in net current assets position as at 31 December 2021 was mainly due to (i) decrease in cash and cash equivalents used to repay bank loans and other loans; and (ii) increase in provision for expected credit losses on other receivables.

Liquidity and Financing

The cash and bank balances as at 31 December 2021 and 31 December 2020 amounted to approximately RMB243,295,000 (mainly denominated in RMB and Hong Kong dollar ("**HK$**") which is comprised of approximately RMB222,751,000 and HK$25,143,000), and approximately RMB858,837,000 respectively.

Total borrowings as at 31 December 2021 amounted to approximately RMB1,703,717,000, representing a decrease by approximately RMB517,915,000 when compared with approximately RMB2,221,632,000 as at 31 December 2020. The decrease in total borrowings was mainly resulted from the repayment of other loans during the year under review.

The Group repaid its debts mainly through the steady recurrent cash-flows generated by its operations and by other external financings. The Group's gearing ratio increased to approximately 87% as at 31 December 2021 from approximately 80% as at 31 December 2020. The ratio was calculated by dividing the Group's total liabilities by its total assets. During the year ended 31 December 2021, all of the Group's borrowings were settled in RMB and HK$ and all of the Group's income was denominated in RMB. Interest-bearing borrowings were approximately RMB1,703,717,000 as at 31 December 2021. Among the interest-bearing borrowings of the Group, approximately RMB529,827,000 were fixed-rate loans, while approximately RMB1,173,890,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2021 and up to the date of this report, as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuations and interest rate fluctuations in individual transactions.

Issuance of Corporate Bonds

During the year ended 31 December 2021, the Company did not issue additional non-listing corporate bonds (the "**Corporate Bonds**") to investors, and principal amount of HK$100,000 in total were matured and redeemed (for the year ended 31 December 2020: the Company did not issue additional Corporate Bonds; and principal amount of HK$1,000,000 in total were matured and redeemed).

As at 31 December 2021 and 31 December 2020, the principal amount of approximately HK$176,136,000 and HK$176,236,000 of the Corporate Bonds had been issued and had not been repaid respectively. For more details, please refer to the announcements of the Company dated 10 July 2014 and 28 April 2015.

Extension of Notes (previously known as Convertible Notes)

On 26 May 2016, the Company entered into a placing agreement (the "**Placing Agreement**") with Get Nice Securities Limited (the "**Placing Agent**") pursuant to which the Placing Agent has conditionally agreed to procure the placee(s) on a best effort basis during the placing period to subscribe for the convertible notes to be issued by the Company of up to an aggregate principal amount of HK$171,600,000 due 2017, with the conversion rights to convert the outstanding principal amount of the convertible notes into ordinary shares of the Company at an initial conversion price of HK$0.65 per conversion share (the "**Convertible Notes**").

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

On 15 June 2016, the Convertible Notes in the aggregate principal amount of HK$171,600,000 were issued by the Company in accordance with the terms of the Placing Agreement. The net proceeds from the issue of Convertible Notes, after deducting the Placing Agent's commission and other related expenses payable by the Company, amounted to approximately HK$167,900,000.

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

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

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

During the year ended 31 December 2021, the Notes with principal amount of HK$82,507,000 has been repaid. The Company is currently in negotiation with all the noteholders regarding the possible extension of maturity date and amendment to the other terms and conditions of the remaining balances of the Notes.

As at 31 December 2021 and 31 December 2020, the principal amount of approximately HK$78,293,000 and HK$160,800,000 of the Notes had been issued and had not been repaid respectively.

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

Issuance of Convertible Bonds

On 31 December 2018, the Company, Filled Converge Limited ("**Filled Converge**") and Well Foundation Company Limited ("**Well Foundation**") entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Company conditionally agreed to issue and (i) Filled Converge conditionally agreed to subscribe for the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$294,183,000 and (ii) Well Foundation conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK$19,612,000. The Convertible Bonds are in the aggregate amount of HK$313,795,000 due at 2021 and extendable to 2022 at an interest rate of 8% per annum, with the conversion rights to convert the outstanding principal amount of the Convertible Bonds into the shares at an initial conversion price of HK$0.485 per conversion share.

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

With effect from 3 January 2020, the conversion price of the Convertible Bonds was adjusted from HK$0.485 per conversion share to HK$0.475 per conversion share, subsequent to the completion of placing of new shares on 3 January 2020. The Convertible Bonds entitled the holders to convert into 660,621,052 conversion shares after the adjustment to conversion price.

On 10 September 2020, the Company and the holders of the Convertible Bonds entered into the supplemental deeds regarding proposed amendments to the terms and conditions of the Subscription Agreement, including (i) amend the interest rates of the Convertible Bonds from 8% per annum to 10% per annum with effect when all the conditions precedent to the supplemental deeds are fulfilled/waived; (ii) the conversion price shall be adjusted from HK$0.475 to HK$0.27 per conversion share; and (iii) insertion of new clause in relation to the mechanism of a deposit of RMB300 million (the "**Supplemental Deeds**"). The proposed amendments shall be approved by the Stock Exchange and also the approval from the shareholders shall be obtained at the extraordinary general meeting. The Supplemental Deeds were lapsed on 15 December 2020 as the conditions precedent could not be fulfilled/waived.

On 29 January 2021, the Company and the holders of the Convertible Bonds entered into the supplemental agreements regarding proposed amendments to the terms and conditions of the Subscription Agreement, including (i) amend the interest rates of the Convertible Bonds from 8% per annum to 10% per annum with effect when all the conditions precedent to the supplemental agreements are fulfilled/waived; (ii) the conversion price shall be adjusted from HK$0.475 to HK$0.190 per conversion share; (iii) insertion of new clause in relation to the mechanism of a deposit of RMB300 million and (iv) the conditions subsequent to the Subscription Agreement shall be deleted in its entirely and no share charge or equity pledge exists (the "**Supplemental Agreements**"). The proposed amendments shall be approved by the Stock Exchange and also the approval from the shareholders shall be obtained at the extraordinary general meeting.

On 24 March 2021, the Company and the holders of the Convertible Bonds entered into the extension agreements regarding i) to extend the maturity date of the Convertible Bonds for one year from 25 March 2021 to 25 March 2022; and ii) extend the long stop date of the Supplemental Agreements to 24 April 2021, with all the terms and conditions of the Convertible Bonds and Supplemental Agreements remain unchanged. The proposed amendments to the maturity date of the Convertible Bonds shall be approved by the Stock Exchange and also the approval from the shareholders shall be obtained at the extraordinary general meeting. The Supplemental Agreements were lapsed on 24 April 2021 as the conditions precedent could not be fulfilled/waived. The Convertible Bonds were therefore matured on 25 March 2021.

The Company and the holders of the Convertible Bonds were unable to reach a new amendment agreement on the terms of the Convertible Bonds as disclosed in the announcement dated 28 January 2022.

None of the rights attached to the Convertible Bonds has been exercised and no conversion shares has been allotted or issued from the conversion of the Convertible Bonds during the year ended 31 December 2021.

Further details of the issuance of Convertible Bonds and proposed amendments to the terms and conditions of the Subscription Agreement of the Convertible Bonds are set out in the announcements of the Company dated 31 December 2018, 1 February 2019, 20 February 2019, 25 March 2019, 20 June 2019, 30 March 2020, 10 September 2020, 15 October 2020, 30 October 2020, 13 November 2020, 27 November 2020, 11 December 2020, 31 December 2020, 15 January 2021, 29 January 2021, 22 February 2021, 19 March 2021, 24 March 2021, 26 April 2021, 31 May 2021, 29 June 2021, 30 July 2021, 31 August 2021, 30 September 2021, 29 October 2021, 30 November 2021, 31 December 2021, and 28 January 2022 and the circular of the Company dated 30 January 2019.

Issuance of the Proposed Convertible Bonds

On 28 January 2022, the Company entered into a subscription agreement (the "**New Subscription Agreement**") with one of the holders of the Convertible Bonds, Filled Converge, in respect of convertible bonds in the principal amount of HK$356,375,000 (the "**Proposed Convertible Bonds**"). Pursuant to the New Subscription Agreement, the Company conditionally agreed to issue and Filled Converge conditionally agreed to subscribe for the Proposed Convertible Bonds in the principal amount of HK$356,375,000. The amounts payable by the Company to Filled Converge under the Convertible Bonds are expected to be fully settled through the Proposed Convertible Bonds to be issued by the Company to Filled Converge. The remaining amount of proceeds from the subscription of the Proposed Convertible Bonds (i.e. approximately HK$4,000) will be used to partially settle the professional fees incurred by the Company. The Proposed Convertible Bonds will be due in 2025 at an interest rate of 10% per annum, with the conversion rights to convert the outstanding principal amount of the Proposed Convertible Bonds into the shares at an initial conversion price of HK$0.18 per conversion share.

Assuming full conversion of the Proposed Convertible Bonds, a total of 1,979,861,111 new shares of the Company, being the conversion shares, would be allotted and issued, representing (i) approximately 100.04% of the issued share capital of the Company as at the date of the New Subscription Agreement; and (ii) approximately 50.01% of the issued share capital of the Company as at the date of the New Subscription Agreement as enlarged by the allotment and issue of the conversion shares upon full conversion of the Proposed Convertible Bonds.

The issuance of Proposed Convertible Bonds was approved by the Shareholders at the extraordinary general meeting which was held on 19 April 2022 and approved by the Stock Exchange on 22 April 2022.

The Company has been under the negotiation and discussion with Well Foundation since January 2021 for the settlement of the Convertible Bonds. The Company and Well Foundation have mutually agreed to discuss the settlement plans by the end of 2022 in relation to the outstanding amount payable to Well Foundation under the Convertible Bonds.

Further details of the issuance of the Proposed Convertible Bonds are set out in the announcements of the Company dated 28 January 2022, 11 March 2022, 17 March 2022 and 19 April 2022 and the circular of the Company dated 29 March 2022.

Capital Raising

On 3 March 2021, the Company entered into the warrant placing agreement with the sole placing agent pursuant to which the sole placing agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to 395,828,160 warrants at a placing price of HK$0.015 per warrant under specific mandate.

The subscription rights attaching to the warrants will be exercisable within eighteen months from the date of the issue of the warrants. Each warrant carries the right to subscribe for one warrant share, assuming full conversion of the subscription rights attaching to the 395,828,160 warrants at the amended warrant exercise price of HK$0.22 per warrant share, a maximum of 395,828,160 warrant shares will be allotted and issued, representing approximately 20.00% of the existing issued share capital of the Company as at the date of the warrant placing agreement; and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the all warrant shares.

The placing of warrants was completed on 5 August 2021. An aggregate of 395,000,000 warrants have been fully placed to not less than six placees at the placing price of HK$0.015 per warrant. The actual net proceeds from the placing, after deduction of the placing agent's commission for the placing and other related expenses, amounted to approximately HK$5,600,000 which will be used for payment of salaries and emoluments.

Assuming full exercise of the subscription rights attaching to the 395,000,000 warrants at the amended warrant exercise price of HK$0.22 per warrant share, it is expected that an additional of approximately HK$86,900,000 will be raised. The Company intends to apply (i) approximately HK$37,000,000 for general working capital purpose including interest payment of the Group's borrowings, payment of legal and professional fees and payment of rental expenses and management fees; and (ii) approximately HK$49,900,000 for future development and potential acquisition of the Group as and when opportunities arise.

None of the rights attached to the warrants has been exercised and no warrant shares has been allotted or issued from the conversion of the warrants up to the date of this report.

Further details of the placing of warrant are set out in the announcements of the Company dated 3 March 2021, 16 April 2021, 18 May 2021, 31 May 2021, 4 June 2021, 23 July 2021, 30 July 2021 and 5 August 2021 and the circular of the Company dated 8 July 2021.

Save as disclosed in this report, the Group did not have other capital raising activity during the year ended 31 December 2021.

Share Option Scheme

On 29 January 2021, 179,900,000 share options were granted by the Company at the exercise price of HK$0.18 per share. Further details are set out in the announcement of the Company dated 29 January 2021.

* *For identification purposes only*

Material Acquisition and Disposal

1. ***Acquisition of 100% equity interests of Chengde Jiaheng Medical Waste Disposal Co., Ltd. * (承德嘉恒醫療廢棄物處置有限公司) ("Chengde Jiaheng")***

   On 10 August 2021, Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd.* (承德瑞風新能源風電設備有限公司), a wholly-owned subsidiary of the Company, as the purchaser entered into a sale and purchase agreement with Beijing Guardian Hengxin Environmental Protection Investment Co., Ltd.* (北京嘉德恒信環保投資有限公司) as the vendor, pursuant to which the vendor conditionally agreed to sell, and the purchaser conditionally agreed to purchase, the sale shares representing 100% equity interests in Chengde Jiaheng, at a cash consideration of RMB14,800,000 upon the terms and conditions set out in the sale and purchase agreement. The acquisition was completed on 27 August 2021 and Chengde Jiaheng became a wholly-owned subsidiary of the Company.

   Chengde Jiaheng is principally engaged in incineration of medical wastage and contribute revenue to the Group since September 2021.

2. ***Acquisition of equity interests in CH-Auto Technology Corporation Ltd.* (北京長城華冠汽車科技股份有限公司) ("CH-Auto Technology")***

   On 10 December 2021, the Company and CH-Auto Technology, its wholly-owned subsidiary, and its shareholder entered into a subscription agreement pursuant to which the Company will subscribe for not more than 4% of the equity interests in CH-Auto Technology. CH-Auto Technology is a company incorporated in the PRC with limited liability and is principally engaged in vehicle design and development services, vehicle production and sales, vehicle research and development. As at the date of this report, the Company has contributed RMB20 million to subscribe for certain shares of CH-Auto Technology which is subject to completion of capital injection of CH-Auto Technology. Please refer to the announcements of the Company dated 10 December 2021, 14 December 2021 and 12 January 2022 for more details.

Save as disclosed in this report, there were no material acquisition and disposal of subsidiaries and associated companies by the Group for the year ended 31 December 2021.

Sale and Leaseback Transactions

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

* *For identification purposes only*

During the lease periods of the Sale and Leaseback Agreements, the ownership of the Leased Assets will be vested in the Lessor. The Lessee shall have the right to possess and use the Leased Assets. In accordance with the requirements of HKFRSs, the sale and leaseback transactions shall be accounted for as a financing transaction and therefore would not give rise to any gain or loss, or reduction in value of the Leased Assets. The Sale and Leaseback Agreements was approved, confirmed and ratified at the extraordinary general meeting held on 13 January 2020. During the year ended 31 December 2021, partial consideration of RMB30,000,000 has been paid by the Lessor. Up to the date of this report, an aggregate consideration of RMB1,400,000,000 has been received by the Lessee, and the Lessee is in negotiation with the Lessor for the payment of the remaining balances of the consideration.

Further details are set out in the announcements of the Company dated 29 November 2019, 28 December 2020 and 24 November 2021, and the circular of the Company dated 24 December 2019.

Pledge of Assets

As at 31 December 2021, the Group has pledged certain property, plant and equipment and certain leasehold land including in right-of-use assets with a carrying value of approximately RMB904,371,000 (31 December 2020: approximately RMB1,043,926,000), and trade and other receivables with a carrying value of approximately RMB368,936,000 (31 December 2020: approximately RMB289,718,000) as security for the borrowings obtained by the Group. As at 31 December 2021 and 31 December 2020, the issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

As at 31 December 2021 and 31 December 2020, the Group had no material contingent liabilities.

Significant Events Occurred Since the end of the Year Under Review

ZHONGHUI ANDA CPA Limited has resigned as the auditors of the Company with effect from 6 January 2022. Linksfield CPA Limited was appointed as the new auditors of the Company with effect from 6 January 2022. Please refer to the announcements of the Company dated 6 January 2022 and 19 January 2022 for more details.

Save as disclosed in this report, there were no significant events occurred since the end of the year under review.

Employees

As at 31 December 2021, the Group had approximately 154 full-time employees (2020: approximately 125 employees) in Hong Kong and the PRC in respect of the Group's operations. For the year ended 31 December 2021, the relevant staff costs (including Directors' remuneration) were approximately RMB50,503,000 (2020: approximately RMB39,152,000). The Group's remuneration and bonus packages were given based on performance of employees in accordance with the general standards of the Group's salary policies.

DIRECTORS

As at the date of this report, the Board comprises seven Directors, among whom four are executive Directors and the remaining three are independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Zhang Zhixiang (張志祥) ("Mr. Zhang"), aged 54, is the chief executive officer (the "**Chief Executive Officer**") of the Company and an executive Director. He is also an authorised representative of the Company, a member of each of the remuneration committee and nomination committee of the Company. He was appointed as an executive Director on 7 July 2010.

He graduated from the School of Taxation of the Central Institute of Finance (中央財政金融學院) (now known as the Central University of Finance and Economics (中央財經大學)) in 1991 and received a bachelor's degree in economics. He joined Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd, a former subsidiary of the Group, as the vice general manager in December 2005. He was appointed as a director and the chairman of the board of Hongsong in May 2013.

Mr. Zhang is a director of, and the sole beneficial owner of the share capital in, Diamond Era Holdings Limited ("**Diamond Era**"), a substantial shareholder of the Company interested in 432,462,325 shares, representing approximately 21.85% of the issued share capital of the Company as at 31 December 2021. Mr. Zhang is also the sole beneficial owner of the share capital in Filled Converge which holds the Convertible Bonds issued by the Company in the principal amount of HK$294,183,000. Assuming the conversion right of the Convertible Bonds were exercised in full, the total of 619,332,631 new shares will be issued to Filled Converge, representing approximately 23.46% total issued shares assuming full exercise of the conversion rights attached to all Convertible Bonds issued by the Company as at 31 December 2021.

Mr. Ning Zhongzhi (寧忠志) ("Mr. Ning"), aged 58, was appointed as an executive Director on 28 January 2013.

Mr. Ning graduated from Huabei Electric Workers Intermediate Specialised College (華北電業職工中等專業學校) and Hebei Radio and TV University (河北廣播電視大學) in labour and remuneration in October 1984 and in human relation management in July 1988, respectively. Mr. Ning was qualified as a senior economist by the Senior Specialty and Technology Qualification Judging Committee of the State Power Corporation of China (國家電力公司高級專業技術資格評審委員會) in April 2001. Mr. Ning has long been working in the electricity power industry, being a key responsible staff of county-level power supply enterprise, and was the head of human resources department since March 2003. Mr. Ning was the director and chairman of Hongsong from May 2010 to May 2013.

Mr. Li Tian Hai (李天海) ("Mr. Li"), aged 55, was appointed as an executive Director on 14 July 2015.

Mr. Li graduated from 東北財經大學 (Dongbei University of Finance and Economics) with a master's degree in economics in 2004. Mr. Li also obtained the qualification of senior accountant conferred by 國家電力公司 (National Power Company) (currently known as State Grid Corporation of China) in 2003. From 1992 to 2004, Mr. Li was the supervisor of the investment department and vice chief accountant in 達拉特發電有限公司. From 2004 to 2007, Mr. Li was the chief accountant in 上都發電有限責任有限公司 (Shangdu Electricity Limited Company). During his tenure with 北方龍源風力發電有限公司 (Northern Long Yuan Wind Power Limited Company) from 2007 to 2014, he served as the deputy general manager as well as the chief accountant. Since 2014 to present, Mr. Li was the deputy general manager in 華能集團北方聯合電力公司錫林郭勒熱電公司 (China Huaneng Group North United Power Corporation Xilin Gol Thermo Electricity Corporation). Mr. Li is experienced in the power systems and financial arrangements of the state-owned enterprises in PRC.

Mr. Peng Ziwei (彭子瑋) ("Mr. Peng"), aged 35, was appointed as an executive Director on 20 June 2016.

Mr. Peng graduated from Beijing Information Science & Technology University with a bachelor's degree in financial management in July 2008, and further obtained a master's degree in economics from University at Buffalo, the State University of New York in June 2010.

From May 2011 to December 2015, Mr. Peng worked for various investment companies in the PRC, and was responsible for conducting analyst reports on pre-IPO companies, resolving issues regarding overseas assets allocation, formulating project feasibility analysis on project investment and development of marketing strategies and objectives for certain sales plans. Mr. Peng is currently a director of Diamond Era, a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qu Weidong (屈衛東) ("Mr. Qu"), aged 55, is an independent non-executive Director, the chairman to the nomination committee of the Company and a member of each of the audit committee and remuneration committee of the Company. Mr. Qu was appointed as an independent non-executive Director on 11 December 2010.

Mr. Qu graduated from the Tsing Hua University (清華大學) in the PRC in 1990 with a bachelor's degree in engineering. He obtained a master's degree in international business at the University of Auckland in 1999. Mr. Qu is now the chairman of Beijing Eastern Forest JS Investment Limited (北京東霖鉅盛投資有限公司). Mr. Qu has over 22 years of in the field of investment, of which 8 years of experience in investment banking. He was a director and general manager of Beijing Zero2IPO Venture Investment Management Centre (北京清科創業投資管理中心). He was the investment director of Bluerun Investment Consulting (Beijing) Co., Ltd. from June 2007 to September 2010, and Capinfo Company Limited (首都信息發展股份有限公司) from April 2005 to July 2007. He worked at the headquarters of the investment bank of China Galaxy Securities Co., Limited (中國銀河證券股份有限公司投資銀行總部) from March 2003 to July 2005.

Ms. Hu Xiaolin (胡曉琳) ("Ms. Hu"), aged 53, is an independent non-executive Director, the chairman to the remuneration committee and a member of each of the audit committee and nomination committee of the Company. Ms. Hu was appointed as an independent non-executive Director on 9 May 2011.

Ms. Hu graduated from Northwest University (西北大學), the PRC, with a bachelor's degree in literature in July 1990. She obtained a master of literature from Capital Normal University (首都師範大學), the PRC in July 1995. Ms. Hu worked in the news commentary department and sports centre of Beijing Television (北京電視台) from 1995 to 2005. She had worked as a producer and a general director (總導演) of a section in Shanghai China Business Network Co. Ltd. (上海第一財經傳媒有限公司) from January 2005 to March 2008. She has been a director and a general manager of Shanghai Shile Yongdao Culture Communication Co., Ltd. (上海世樂永道文化傳播有限公司) since March 2008. Since February 2016, Ms. Hu is the president of Fortune Media Communication Co., Ltd. (財富視點傳媒有限責任公司).

Mr. Jiang Senlin (姜森林) ("Mr. Jiang"), aged 50, is an independent non-executive Director, the chairman to the audit committee of the Company and a member of each of the nomination committee and remuneration committee of the Company. Mr. Jiang was appointed as an independent non-executive Director on 31 January 2019.

Mr. Jiang, has been the vice-president and chief financial officer in Wonderland International Financial Holdings Limited (華德國際金融控股有限公司) since January 2018 and an executive director of Enviro Energy International Holdings Limited (stock code: 1102) since 28 June 2019. Mr. Jiang worked in Beijing Renge Technology Corp. Ltd (北京仁歌科技股份有限公司) (NEEQ Code: 837824, voluntarily delisted in December 2018) as vice general manager and chief financial officer from September 2015 to December 2017. He also worked as chief financial officer (Asia) in Morningstar, Inc. (NASDAQ: MORN) from August 2009 to September 2015. Mr. Jiang qualified as an accountant in the PRC in May 1998 and as an intermediate financial officer conferred by the Ministry of Personnel, the PRC in November 1997. Mr. Jiang completed his research program in Art and Culture (文藝學) at Sichuan University in July 2000 and obtained his bachelor's degree in accountancy at the Central Institute of Finance (中央財政金融學院) (now known as the Central University of Finance and Economics) in June 1993.

SENIOR MANAGEMENT

Mr. Wang Jian (王劍) ("Mr. Wang"), aged 53, is the director and general manager of Hongsong, responsible for the daily operation of Hongsong. Mr. Wang was graduated in 2004 from China Agricultural University (中國農業大學) majoring at economic management professional. He obtained senior operating qualification in 2005 and obtained advanced project management qualification in 2006. Mr. Wang joined Hongsong in 1999 and involved in the establishment of Hongsong. He was appointed as the director and general manager of Hongsong since 2001, and he has over 14 years working experience in wind farm operation and management.

Mr. Fan Guoliang (范國亮) ("Mr. Fan"), aged 41, is the secretary of the Board of Hongsong. He is mainly responsible for the Board and the administrative management of the Group. Mr. Fan graduated from Hebei University of Science and Technology majoring Business Administration in 2005 and received a bachelor's degree in Management. He received a master's degree in economics from Central University of Finance and Economics in 2014. In March 2005, he joined Hongsong and served as the head of the secretary office of the Board, deputy director, directors of certain subsidiaries of the Group in the PRC, secretary of the board and deputy general manager.

COMPANY SECRETARY

Ms. Wong Yuk Ki (黃鈺琪) ("Ms. Wong"), has been appointed as Company secretary and authorised representative of the Company since 31 December 2019. Ms. Wong holds a bachelor degree of Business Administration in Professional Accountancy from The Chinese University of Hong Kong. Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants. She has over ten years of working experience in the auditing and accounting fields.

DIRECTORS' REPORT

The Directors present this report and the audited consolidated financial statements for the year ended 31 December 2021 ("**the current year**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of the Group are wind farm operation. The activities of its principal subsidiaries are set out in note 15 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the current year and further discussion and analysis of the matters as required by Schedule 5 to the Companies Ordinance, Chapter 622, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, are set out in the section headed "Management Discussion and Analysis" of this report. Those discussions form part of this directors' report.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 88 to 89 of this report.

PROPOSED FINAL DIVIDEND

The Directors did not recommend the payment of dividends for the year ended 31 December 2021 (2020: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 178 of this report.

PROPERTY, PLANT AND EQUIPMENT

During the current year, the Group acquired property, plant and equipment in the amount of approximately RMB13,422,000 (2020: approximately RMB5,576,000). Details of movements in the property, plant and equipment of the Group during the current year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the current year are set out in note 27 to the consolidated financial statements.

DONATIONS

No charitable or other donations were made by the Group during the current year (2020: Nil).

RESERVES

Details of movements in the reserves of the Company during the current year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to Shareholders as at 31 December 2021 amounted to approximately RMB185,645,000.

DIRECTORS

The Directors during the current year and up to the date of this report were:

Executive Directors

Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei

Independent non-executive Directors

Mr. Jiang Senlin
Mr. Qu Weidong
Ms. Hu Xiaolin

In accordance with Article 108(a) of the Company's articles of association, Mr. Zhang Zhixiang, Mr. Ning Zhongzhi and Ms. Hu Xiaolin shall retire by rotation at the forthcoming annual general meeting (the "**AGM**"). All the retiring Directors, being eligible, offer themselves for re-election at the AGM.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The details of the biographies of the existing Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management" on page 22 to page 25 of this report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, namely, Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules, and as at the date of this report, the Company still considers all the independent non-executive Directors to be independent.

FINANCIAL ASSISTANCE

The Company has provided financial assistance to independent third parties during the years ended 31 December 2020 and 2021. Details of the financial assistance provided by the Company are set out in note 24 to the consolidated financial statements. Please refer to the announcements of the Company dated 29 November 2021 and 10 December 2021 for details.

DIRECTORS' SERVICE CONTRACTS OF THE RETIRING DIRECTORS

All the Directors have entered into service contracts with the Company, subject to the termination provisions therein and re-election at the general meeting upon retirement by rotation.

None of the Directors being proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors has or had interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Reporting Period.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in note 34 to the consolidated financial statements, no transaction, arrangement and contract of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director has a material interest, where directly or indirectly, subsisted at the end of the year or at any time during the current year.

SHARE OPTION SCHEME

Share Option Scheme

Pursuant to an ordinary resolution passed by the Shareholders on 1 June 2015, a share option scheme (the "**Share Option Scheme**") was adopted by the Company to provide appropriate incentives or rewards to eligible persons for their contributions or potential contributions to the Group.

Share Option Scheme shall be valid for 10 years from 1 June 2015 and the particulars of the Share Option Scheme are set out in note 29(a) to the consolidated financial statements. On 29 January 2021, 179,900,000 share options were granted by the Company under the Share Option Scheme. In addition, as at 31 December 2021, 179,900,000 share options under the Share Option Scheme were outstanding (2020: Nil).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme as disclosed above, at no time during the current year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during the current year between the Company or any of its subsidiaries and the controlling shareholder (if any) or any of its subsidiaries.

DISCLOSURE OF INTEREST

(a) Interests of Directors and chief executive of the Company

As at 31 December 2021, save as disclosed below, none of the Directors or chief executive had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) ("**SFO**") which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors or chief executives of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules:

Long positions in shares and underlying shares of the Company

		Number of shares/underlying shares				Approximate percentage of shareholdings
Name of Director	**Capacity**	**Corporate interests**	**Convertible Bonds**	**Share options** *(Note 1)*	**Total**	*(Note 4)*
Zhang Zhixiang ("**Mr. Zhang**")	Beneficial owner/ Interest of controlled corporation	432,462,325 *(Note 2)*	619,332,631 *(Note 3)*	19,700,000	1,071,494,956	54.14%
Mr. Ning Zhongzhi	Beneficial owner	—	—	19,700,000	19,700,000	1.00%
Mr. Li Tian Hai	Beneficial owner	—	—	8,000,000	8,000,000	0.40%
Mr. Peng Ziwei	Beneficial owner	—	—	8,000,000	8,000,000	0.40%
Mr. Qu Weidong	Beneficial owner	—	—	5,200,000	5,200,000	0.26%
Ms. Hu Xiaolin	Beneficial owner	—	—	5,200,000	5,200,000	0.26%
Mr. Jiang Senlin	Beneficial owner	—	—	5,200,000	5,200,000	0.26%

Notes:

1 These shares were the shares which would be allotted and issued upon exercise in full of the share options granted to such Director under the share option scheme of the Company, details of which are provided in the section headed "Share Option Scheme" in this report.

2. Mr. Zhang is the beneficial owner of the entire issued shares of Diamond Era. As at 31 December 2021, Diamond Era was interested in 432,462,325 shares. Mr. Zhang is deemed, or taken to be, interested in the shares of the Company in which Diamond Era is interested for the purpose of the SFO.

3. Filled Converge is wholly-owned by Mr. Zhang which holds the Convertible Bonds issued by the Company in the principal amount of HK$294,183,000. Assuming the conversion right of the Convertible Bonds were exercised in full, the total of 619,332,631 new shares will be issued to Filled Converge, representing approximately 23.46% total issued shares assuming full exercise of the conversion rights attached to all Convertible Bonds issued by the Company as at 31 December 2021.

4. Based on the total number of issued shares (i.e. 1,979,140,800 shares) of the Company at 31 December 2021.

(b) Interests of substantial Shareholders and other persons

As at 31 December 2021, save as disclosed below, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Number of shares & underlying shares held/ interested	Nature of interest	Position	Approximate percentage of shareholdings *(Note 3)*
Diamond Era *(Note 1)*	432,462,325	Beneficial owner	Long	21.85%
Filled Converge *(Note 2)*	619,332,631	Beneficial owner	Long	31.29%

Notes:

1. As at 31 December 2021, Diamond Era was interested in 432,462,325 shares. Diamond Era is wholly-owned by Mr. Zhang, an executive Director.

2. Filled Converge is wholly-owned by Mr. Zhang which holds the Convertible Bonds issued by the Company on 25 March 2019 in the principal amounts of HK$294,183,000. Assuming the conversion right of the Convertible Bonds were exercised in full, the total of 619,332,631 new shares will be issued to Filled Converge, representing approximately 23.46% total issued shares assuming full exercise of the conversion rights attached to all Convertible Bonds issued by the Company as at 31 December 2021.

3. Based on the total number of issued shares (i.e. 1,979,140,800 shares) of the Company at 31 December 2021.

CONNECTED TRANSACTIONS

Save as otherwise disclosed in this report, all the related party transactions in 2021 as disclosed in note 34 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with the relevant reporting, announcement or independent shareholders' approval requirements. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the current year attributable to the Group's largest and five largest customers and suppliers, respectively, were as follow:

— the largest customer	99%
— five largest customers	100%
— the largest supplier	27%
— five largest suppliers	65%

To the knowledge of the Directors, none of the Directors, their associates or any Shareholders owning more than 5% of the Company's issued share capital, had any interest in any of the five largest customers or suppliers of the Group.

BANK LOANS

Particulars of bank loans are set out in note 31 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, the Directors, managing Directors, alternate Directors, Auditors, secretary and other officers for the time being of the Company shall be indemnified and secured harmless out of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company throughout the current year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "**Remuneration Committee**") on the basis of the merit, qualifications and level of competence of the employees.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, their individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to Directors and eligible employees. Details of the Share Option Scheme are set out in note 29(a) to the consolidated financial statements and the paragraph headed "Share Option Scheme" in this Directors' Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there was a sufficient public float of the shares as prescribed under the Listing Rules.

ACQUISITIONS AND DISPOSAL

Save as disclosed in the section headed "Material Acquisition and Disposal" in the "Management Discussion and Analysis" session, there are no material acquisition and disposal during the current year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Among the global community focusing increasingly on reducing the dependence on conventional fossil fuels to mitigate global warming caused by greenhouse gases, China has also identified wind power generation as a key component of national economic growth. The Company recognises that clean energy has become an indispensable part of the environment and economy for the country and even the globe. The Company is committed to developing wind farm projects to provide the state power grid with clean and renewable energy, easing the dependence on conventional fossil fuels and hence effectively avoiding greenhouse gas emissions, serving as an important direct towards the Company's sustainable development. Details of environmental policies and performance are set out in the "Environmental, Social and Governance Report" session of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Board pays attention to the Company's policies and practices to ensure its compliance with the legal and regulatory requirements in both the PRC and Hong Kong. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable legal framework. Updates on the applicable laws, rules and regulations are brought to the attention of the relevant employees and operation units from time to time.

Due to the situation of the COVID-19 pandemic, additional time was required by the Company's former auditors, ZHONGHUI ANDA CPA Limited, to perform and complete the audit work in respect of the annual results of the Group for the year ended 31 December 2020. Therefore, the publication of annual results for the year ended 31 December 2020 (the "**2020 Annual Results**") and the despatch of annual report for the year ended 31 December 2020 were delayed. After due and careful consideration, the Board was of the view that it would not be appropriate for the Company to publish the unaudited management accounts of the Group for the 2020 Annual Results as it might not truly and accurately reflect the financial performance and position of the Group. Accordingly, the Company was not able to comply with the financial reporting obligations as required under Rules 13.46 and 13.49 of the Listing Rules. Therefore, trading in the shares of the Company on the Stock Exchange was suspended from 1 April 2021 to 17 May 2021.

On 15 November 2021, the Stock Exchange issued a statement of disciplinary action (the "**Statement of Disciplinary Action**") against the Company and its executive Director, Mr. Peng Ziwei. The Company hereby confirms that all the directions of the Listing Committee of the Stock Exchange set out in the Statement of Disciplinary Action had been complied with. Please refer to the announcements of the Company dated 15 November 2021 and 29 March 2022 for details.

Save as disclosed above, as far as the Board and management of the Company are aware of, there has been no material non-compliance with the applicable laws and regulations by the Group, which may cause a significant impact on its business and operation.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company emphasizes the protection of employees' legitimate rights and occupational health and safety, as well as observing Labour Law of the PRC and standards relating to occupational health in the wind power industry. Meanwhile, we understand that maintaining a close work relationship with the national grid and suppliers has a far-reaching impact on the Company's sustainable development. During the current year, the Company maintains a sound relationship with the national grid and suppliers without any major disputes.

SIGNIFICANT EVENTS OCCURRED SINCE THE END OF THE REPORTING PERIOD

Details of significant events occurred since the end of the reporting period are set out in the section headed "Management Discussion and Analysis — Significant Events Occurred Since the End of the Reporting Period" in this report.

QUALIFIED OPINION

As set out in the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**"), the predecessor auditors of the Company issued a qualified opinion in the independent auditors' report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2020. Further information regarding the qualified opinion last year is set out on pages 78 to 82 of the 2020 Annual Report.

The auditors of the Company (the "**Auditors**") issued a qualified opinion in the independent Auditors' report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2021. In view of the qualified opinion, the Board would like to provide the following additional information.

(i) Audit Modifications on interest in an associate and amount due from an Associate

Details of the modification

As stated in the independent Auditors' report set out on pages 80 to 87 of this report, given the lack of sufficient appropriate audit evidence to assess the appropriateness of the key assumptions adopted by the management in their previous year's assessments on the valuation of the interest in an associate, Shenzhen Qianhai Jiefeng Financing and Leasing limited* (the "**Associate**") and the amount due from the Associate, as of the date of this report, the Auditors were unable to determine whether any adjustments were necessary to the opening balances of the interest in the Associate carried at RMBNil and the amount due from the Associate carried at RMBNil as at 1 January 2021. Any adjustments to the opening balances of the carrying amounts of interest in the Associate and amount due from the Associate as at 1 January 2021 could have a significant consequential effect on the consolidated losses as reported by the Group for the year ended 31 December 2021 and the corresponding figures for the year ended 31 December 2020. There were no other satisfactory audit procedures that the Auditors could perform to determine whether any adjustments to the share of losses of associates of RMBNil and the expected credit losses on the amount due from the Associate of RMBNil recognised in the consolidated statement of profit or loss for the year ended 31 December 2021, were necessary.

Management's view and assessment on the modifications

The Associate is principally engaged in financial leasing and the Group has 49% voting rights in the Associate. As at 31 December 2020, the management assessed the impairment on loan receivables and related loan interest receivables which were classified as other receivables on the financial statements of the Associate on an individual basis. The management considered that the default risk increased significantly and the recoverability of the loan receivables and other receivables of the Associate was remote and full provision of expected credit losses was recognised for the year ended 31 December 2020.

Based on the company and legal searches on the Associate and the recoverability assessment works on the Associate's debtors conducted by the Group's external legal advisers and their legal opinion, recovery efforts including the demand for repayment made by the Group and the management accounts of the Associate, the management is of the view that any recovery of the carrying amounts of the interest in the Associate and amount due from the Associate to be minimal. As a result, as at 31 December 2021, the interest in the Associate and the amount due from the Associate continued to be fully impaired. As at the date of this report, the Group has commenced legal proceedings against the Associate in the PRC for the recovery of the amount due from the Associate.

(ii) Audit Modifications on other receivables

Details of the modification

As stated in the independent Auditors' report set out on pages 80 to 87 of this report, given the lack of sufficient appropriate audit evidence to assess the appropriateness of the key assumptions adopted by the management in their previous year's assessments of the carrying amounts of these other receivables, as of the date of this report, the Auditors were unable to determine whether any adjustments were necessary to the opening balance of these other receivables carried at approximately RMB78,423,000 as at 1 January 2021. Any adjustments to the opening balance of the carrying amounts of these other receivables as at 1 January 2021 could have a significant consequential effect on the consolidated losses as reported by the Group for the year ended 31 December 2021 and the corresponding figures for the year ended 31 December 2020. There were no other satisfactory audit procedures that the Auditors could perform to determine whether any adjustments to the expected credit losses on these other receivables of approximately RMB78,423,000 recognised in the consolidated statement of profit or loss for the year ended 31 December 2021 were necessary.

Management's view and assessment on the modifications

Reference is made to (i) the announcements of the Company dated 13 April 2018 and 3 May 2018 in relation to the equipment purchase agreements of certain machinery and equipment (the "**Equipment**") for the construction project of a wind farm in the PRC entered into between Baotou Yinfeng and one of the suppliers, Suzlon Energy (Tianjin) Limited* (the "**Supplier**"); and (ii) the announcement dated 17 December 2015 in relation to the Company entered into the memorandum of understanding with a vendor, a company indirectly holding 75% equity interest in the Supplier, in connection with a possible acquisition of the abovementioned equity interest in the Supplier with a refundable deposit of US$6,500,000 (equivalent to approximately RMB42,100,000) paid by the Company to the vendor ("**the Deposit**") which the Deposit was subsequently transferred by the vendor to the Supplier in November 2018.

The Group has paid approximately RMB132,000,000 to the Supplier in previous years as consideration of the Equipment and Deposit. The Supplier was subsequently in financial difficulties and its production was suspended, thus the Supplier was unable to deliver the Equipment to Baotou Yinfeng. The Supplier has not discharged its repayment obligation on the Deposit. The Group has continuously demanded repayment from the Supplier on the Equipment and Deposit but in vain.

Baotou Yinfeng commenced legal proceedings in the PRC against the Supplier for partial consideration paid. The PRC court has ruled that the Supplier should return a sum of approximately RMB36,000,000 to Baotou Yinfeng for the failure to deliver the Equipment in 2020. As at 31 December 2020, other receivables due from the Supplier amounted to approximately RMB78,423,000.

As at 31 December 2021, based on the company and legal searches conducted by the Group's external legal advisers and their legal opinion, recovery efforts including the legal action taken by the Group and the demand for repayment made by the Group, the management is of the view that any recovery of the carrying amounts of these other receivables due from the Supplier amounted to approximately RMB78,423,000 is minimal. As a result, as at 31 December 2021, the carrying amounts of these other receivables were written down to RMBNil on the consolidated statement of financial position such that the expected credit losses on these other receivables of approximately RMB78,423,000 were recognised in the consolidated statement of profit or loss for the year ended 31 December 2021. The Group has been seeking legal advice from its PRC legal adviser as to the next steps, including commencement of legal action and/or legal proceedings against the Supplier by the end of 2022.

(iii) The Board and the Audit Committee's view on the modifications

The Board and the Audit Committee are of the view that the qualified opinion for the year ended 31 December 2021 is a consequential effect of the qualified opinion relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2020 on the comparative figures and opening balance. The Board would like to emphasize that the carrying amounts of the interest in the Associate, the amount due from the Associate and other receivables of the Group as at 31 December 2021 were not qualified. The Audit Committee also critically reviewed the matters after discussion with the Auditors and the management, and confirmed that it agreed with the management's position and basis of the qualified opinion.

After discussion with the Auditors, since the qualified opinion will continue to have an impact on the corresponding figures for the consolidated financial statements of the Group for the year ending 31 December 2022, the qualified opinion is therefore expected to be completely removed in the consolidated financial statements of the Group for the year ending 31 December 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" session of this report.

AUDITORS

The accounts for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 were audited by ZHONGHUI ANDA CPA Limited, who has resigned as the auditors of the Company with effect from 6 January 2022.

The accounts for the year ended 31 December 2021 were audited by Linksfield CPA Limited, who was appointed as the auditors of the Company with effect from 6 January 2022. A resolution for the appointment of Linksfield CPA Limited as the auditors of the Company is to be proposed at the AGM.

Save as disclosed above, there was no other change in auditors of the Company during the past.

On behalf of the Board

Zhang Zhixiang
Executive Director & Chief Executive Officer

Hong Kong
25 April 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance in order to raise the quality of management and protect the interests of shareholders of the Company as a whole. To honor these commitments, the Group believes that good corporate governance reflects that a responsible enterprise must be credit worthy and transparent and abide by a high level of code of practice. Accordingly, the Company has adopted and applied high standard of corporate governance principles that provides a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of sound internal control, accountability and transparency to all Shareholders and also meeting the expectations of the Group's various stakeholders. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

CORPORATE GOVERNANCE CODE

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

Under Code Provision C.1.6, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other pre-arranged business commitments which must be attended by the Directors, Mr. Zhang Zhixiang, Mr. Li Tian Hai, Mr. Peng Ziwei, Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin, did not attend the annual general meeting held during the year ended 31 December 2021.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries with all the Directors and all the Directors confirmed that they had complied with the practice as contained in the Model Code and the aforesaid code of conduct adopted by the Company for the year ended 31 December 2021.

Senior management and those staff who are more likely to be in possession of unpublished price-sensitive information, inside information or other relevant information in relation to the Group have adopted rules based on the Model Code. These senior management and staff have been individually notified and advised about the Model Code by the Company. No incident of non-compliance of the Model Code by relevant senior management members was noted by the Company during the year ended 31 December 2021.

THE BOARD OF DIRECTORS

Board Responsibility and Delegation

The Board is collectively responsible for the formulation of all commercial policies and strategies in relation to the business operation of the Group to ensure that ample resources and effective internal controls (including financial controls) are in place. The Board has the responsibility to establish the Company's policies and overall strategy of the Group, and provides effective supervision of the management of the Group's affairs. The Board also supervises the financial performance of the Group's business operations and internal controls. All the Directors are able to obtain information on the Group's business on a timely basis and to make further inquiries if needed.

The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group. The Board supervises the management of the business and affairs of the group.

The management, consisting of executive Directors along with other senior management of the Group, is delegated with the responsibilities to carry out policies set by the Board from time to time and supervises the day-to-day management of the Group. The management of the Group meet regularly to review the business performance of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

The Board has delegated some of its functions to the board committees, details of which are set out below. Matters specifically reserved for the Board include but not limited to approval of financial statements, dividend policy, significant changes in accounting policies, material contracts or transactions, significant appointments such as company secretary of the Company (the "**Company Secretary**") and external auditor, terms of reference of board committees, as well as major corporate policies such as code of conduct and whistle-blowing policy.

The Company has arranged directors' and officers' liability and company reimbursement insurances for its Directors and officers in accordance with Code Provision C.1.8 of the Code.

The Board is responsible for performing the corporate governance functions set out in Code Provision A.2.1 of the Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code and the disclosure requirements therein.

COMPOSITION AND APPOINTMENT

Composition

As at the date of this report, the Board comprises seven Directors, of whom four are executive Directors and three are independent non-executive Directors. The composition of the Board during the year ended 31 December 2021 and up to the date of this report is as follows:

Executive Directors

Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei

Independent Non-executive Directors

Mr. Qu Weidong
Ms. Hu Xiaolin
Mr. Jiang Senlin

The term of appointment of each of the independent non-executive Directors is 2 years and subject to retirement by rotation and re-election in accordance with the Company's articles of association.

The details of the biographies of the existing Directors are set out in the section headed "Biographies of Directors and Senior Management" on page 22 to page 25 of this report.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, during the year ended 31 December 2021, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board, among the three independent non-executive Directors, Mr. Jiang Senlin, possesses appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has complied with the relevant requirements of the Listing Rules.

The Company has received from each of its independent non-executive Directors an annual confirmation of their independence pursuant to the requirements under the Listing Rules. The Company, based on such confirmations, considers all independent non-executive Directors, namely Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin have satisfied the independence requirement under Rule 3.13 of the Listing Rules.

As at 31 December 2021, Mr. Zhang Zhixiang is a director and holds 100% of the issued share capital of Diamond Era and Filled Converge, which are substantial shareholders of the Company holding a total of approximately 53.14% of the issued share capital of the Company assuming full exercise of the conversion rights attached to all Convertible Bonds issued by the Company as at 31 December 2021.

Save as disclosed above, the Directors confirmed that there was no relationship (including financial, business, family or other material/relevant relationship) between the Board members or other major events or relevant matters that were required to be disclosed.

Board meetings

The Board has supervised and controlled the Company's affairs effectively, and relevant decisions were made in the Company's best interests. For the year ended 31 December 2021, the Board had held 7 Board meetings to consider (of which included) the Company's transactions, financial affairs and other matters under the Articles of Associations to carry out its duties.

For the year ended 31 December 2021, the Board has complied the following statistics:

Director's name	Number of meetings attended/held Board	 General
Executive Directors		
Mr. Zhang Zhixiang *(Chief Executive Officer)*	7/7	0/2
Mr. Ning Zhongzhi	7/7	2/2
Mr. Li Tian Hai	7/7	0/2
Mr. Peng Ziwei	5/7	0/2
Independent non-executive Directors		
Mr. Qu Weidong	7/7	0/2
Ms. Hu Xiaolin	7/7	0/2
Mr. Jiang Senlin	7/7	0/2

PROCEDURES OF BOARD MEETINGS

The Board has established meeting procedures and has complied with the provisions of the Code.

The procedures of Board meetings provide that the Board shall meet at least four times each year and can convene additional meeting when necessary. Directors can express different opinions at Board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflict of interest or material interests in the relevant transactions will not be counted towards the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of Board meetings and other committee meeting will be drafted by the Company Secretary and will be sent to all members for their comments and records respectively. Directors are entitled to inspect the minutes at any time.

INDUCTION AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he or she has a proper understanding of the Company's operations and businesses as well as his or her responsibilities under the relevant statutes, laws, rules and regulations.

During the current year, Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. In particular, training sessions covering topics including the Code and the disclosure of inside information had been held during the year.

According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2021 is as follows:

Director's name	**Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements/attending briefing sessions**
Executive Directors	
Mr. Zhang Zhixiang *(Chief Executive Officer)*	✓
Mr. Ning Zhongzhi	✓
Mr. Li Tian Hai	✓
Mr. Peng Ziwei	✓
Independent non-executive Directors	
Mr. Qu Weidong	✓
Ms. Hu Xiaolin	✓
Mr. Jiang Senlin	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the current year, there have been no Chairman in the Company. Mr. Zhang Zhixiang acted as the Chief Executive Officer of the Company, and was responsible for all day-to-day corporate management matters. The Board does not have the intention to fill the position of the Chairman at present and believes that the absence of the Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of the Chairman. Appointment will be made to fill the post to comply with Code Provision A.2.1 of the Code if necessary. One meeting has been held by the Chief Executive Officer and the independent non- executive Directors, without the presence of other Directors during the current year to discuss and review the performances of the executive Directors.

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the amount of fee paid or payable to the auditors of the Group, Linksfield CPA Limited, was as follows:

Type of service	**Fee**
Audit services	HK$1,400,000
Non-audit services	Nil

ACCOUNTABILITIES AND AUDIT

The Directors understand their responsibility to prepare the Group's financial statements according to relevant legal provisions and the Hong Kong Generally Accepted Accounting Principles to ensure that the financial reports present a true and fair view of the Group's financial conditions. In the preparation of the Group's financial reports for the year ended 31 December 2021, the Directors had adopted and implemented the appropriate accounting policies, made prudent and reasonable judgments and projections and prepared the financial statements on a going concern basis.

The Board had presented information on the Group's developments and various corporate information which aimed to be comprehensive, balanced and easily understood, including but not limited to the interim and yearly financial reports as stipulated in the Listing Rules, disclosure of and public announcement of information which influence the Shares and submitted reports to the regulatory authorities and made other disclosures pursuant to regulatory provisions.

The auditors' responsibilities are set out in the Independent Auditor's Report on pages 80 to 87 of this report.

The accounts for the year ended 31 December 2021 were audited by Linksfield CPA Limited whose term of office will expire upon the AGM. The Audit Committee has recommended to the Board that Linksfield CPA Limited be re-appointed as the auditors of the Company at the AGM.

RISK MANAGEMENT AND INTERNAL CONTROL

Effectively implementing the risk management and internal control measures is an ongoing responsibility of the Board and the management of the Company. The monitoring objectives of the Company are to provide reasonable assurance that the Company's operational management is lawful and compliant, the assets are safe, the financial statements and related information are true, fair and complete, and operational efficiency and effectiveness are enhanced, thereby the development strategy of the Company is accomplished.

The Company paid particular attention to the ongoing optimization of the internal control, including risk assessment and internal control evaluation, into its daily supervision and management of the Company. The internal control awareness and system are gradually strengthened, while the duties are clearer segregated and elaborated. Through effective assessment in accordance with the confirmative risk assessment and internal control evaluation plan, the internal control infrastructure through the said assessment and evaluation is further established. With a summary of the general defects identified in the operating system of the Company come the proposed solutions and remediations.

The Board acknowledges its responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems. However, risk-taking is an unavoidable necessity and an accepted part of the Company's business, effective risk management is an integral to preserving competitive advantages and ensures the Company achieves its strategic and business objectives. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

Risk management applies to all aspects of the Group's business and is a critical component in developing strategic plans, preparing operational plans and budgets, approving investment projects and managing project plans. The major procedures of risk assessment of the Company consist of: goal setting, information collection and risk identification, risk analysis, response to risk, risk monitoring and reporting.

Business units and divisions specify the risk management strategies and the solutions to risk management, and set a risk alert level and the relevant strategies pursuant to the prescribed risk tolerance corresponding to the operating objectives. Solutions to risk management are established for each significant risk based on the risk management strategy. Combining with the development stages and the business expansion needs, information relating to changes in risks is continuously collected for risk identification and risk assessment, and for prompt adjustment to the strategies in response to risks.

The management of the Group maintains and evaluates the risk management system on a regular basis.

The Group integrates the risk management and internal control system into various business processes, and adopts various measures and procedures to evaluate and prudently improve the effectiveness of the risk management and internal control system, including organizing the Group and affiliated companies to conduct self-assessment on risks on a regular basis, and to conduct independent risk assessment and internal control evaluation as well.

Risks are evaluated by the Board and management based on the severity of the impact on the Company and the probability that the risk will occur.

Based on the risk evaluation, the Group will manage the risks as follows:

- Risk elimination: management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- Risk mitigation: management may implement a risk mitigation plan designed to reduce the likelihood and/or the severity of impact to an acceptable level.

- Risk acceptance: management may decide that the risk rating is acceptable for the Company meanwhile and as such no action is required. However, the risk would continue to be monitored to ensure the level of risk does not increase to an unacceptable level.

Controls and review

Policies and procedures are in place to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties.

Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap among them. The typical control activities adopted by Group companies include:

- analytical reviews: such as conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors;

- direct functional or activity management: reviews of performance reports;

- physical controls: ensuring equipment, inventories and other assets are safeguarded and subjected to periodic checks; and

- segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimizing the risk of errors and abuse.

Inside Information

The Board of the Company is the governing body of inside information. In order to standardize the inside information management of the Group, the Board takes reasonable precautions to preserve the confidentiality of inside information, maintains the principle of fairness of information disclosure, and protects the legitimate rights and interests of the Company and its shareholders, creditors and other stakeholders. The Company formulates a control system in accordance with relevant laws, regulations and rules by taking into consideration the actual situation of the Company.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Group:

- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;
- closely communicates and seeks advice from its legal advisor in the assessment of the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and to determine whether the relevant information is considered inside information that needs to be disclosed as soon as reasonably practicable pursuant to the SFO and the Listing Rules;
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorized use of confidential or inside information; and
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Assessing the effectiveness of Risk Management and Internal Control Systems

The Board, via the Audit Committee, is responsible for the review and assessment of the major risks the Group faces and the review, approval and monitoring of the Group's response to such risks annually.

The Audit Committee oversees the risk management process and reviews the effectiveness of the risk management and internal control systems by performing the following procedures:

- Review with management annually those reports on compliance with the risk management policy;
- Discuss with management annually on the Group's major risks and the steps management has taken since then or should take to address and deal with such risks; and
- Review the effectiveness of the Group's risk management practices.

Management is responsible for ensuring the Group's business operations are being conducted in line with our risk management policy, taking into consideration changes in external environment and the Group's risk tolerance level.

In addition to the Board's supervision, the Group has developed a risk management process to identify, evaluate and manage significant risks and to remediate material internal control deficiencies (if any). Management, through the engagement of the independent internal control and risk advisory consultant, is responsible for the annual risk reporting process. The independent internal control and risk advisory consultant meets with members of the senior management to review and assess risks and discuss remedial measures to address material internal control deficiencies (if any), including any changes relevant to a given year. Risks are compiled, ratings assigned and mitigation plans documented. The risk assessment is reviewed by management and presented to the audit committee and the Board for their review.

The Group has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and timeframe intended to ensure that staff carry out their designated responsibilities.

Risk Management and Internal Control Process

On behalf of the Board, the Audit Committee reviews annually the continued effectiveness of the Group's risk management and internal control systems dealing with risk and financial accounting and reporting, the effectiveness and efficiency of operations, compliance with laws and regulations, and risk management functions.

This assessment considers:

- the scope and quality of management's ongoing monitoring of risks and of the risk management and internal control systems;
- the extent and frequency with which the results of monitoring are communicated, enabling the Committee to build up a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed;
- the incidence of any significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition;
- the effectiveness of the Group's processes in relation to financial reporting and statutory and regulatory compliance;
- areas of risk identified by management;
- significant risks reported by the independent internal control and risk advisory consultant;

- work programs proposed by the independent internal control and risk advisory consultant and the external auditors; and

- significant issues arising from internal and external audit.

As a result of the above review, the Board considers that the Group's risk management and internal control systems are effective and adequate and have complied with the Code Provisions on risk management and internal control throughout the year and up to the date of this report.

Internal Audit

The Group has engaged an independent internal control and risk advisory team, which plays a major role in monitoring the corporate governance of the Group and providing an objective assessment to the Board that a sound internal control system is maintained and operated by the management.

The internal control and risk advisory team would conduct regular and independent reviews of the effectiveness of the Group's internal control system. The Audit Committee reviews the findings and recommendations of the internal control and risk advisory team on the effectiveness of the Group's internal control system and reports to the Board on such reviews.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin, and Mr. Jiang Senlin is the chairman of the Audit Committee. The annual results of the Company for the year ended 31 December 2021 and this report has been reviewed by the Audit Committee before being presented to the Board for approval.

The Audit Committee held 2 meetings during the current year. The attendance record of the Audit Committee meetings are as follows:

Name of member	Number of Audit Committee meetings attended/Number of meetings held	Title
Mr. Jiang Senlin *(chairman of the Audit Committee)*	2/2	Independent non-executive Director
Mr. Qu Weidong	2/2	Independent non-executive Director
Ms. Hu Xiaolin	2/2	Independent non-executive Director

The Audit Committee has reviewed the audit performance, the internal controls and risk management and the interim and audited accounts for the year ended 31 December 2021. In performing its duties, the Audit Committee has overseen the Company's relationship with the auditors, the nature and scope of the audit, reviewed of the process by which the Company evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It also reported to the Board on the proceedings and deliberations of the Audit Committee. The Audit Committee has also reviewed this report and confirmed that this report has complied with the Listing Rules.

DIVIDEND POLICY

The Company has adopted a dividend policy on payment of dividends. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy (including but not limited to the Group's financial results, cash flow position, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans), dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

REMUNERATION COMMITTEE

The Remuneration Committee shall meet at least once a year to decide on the Director's emoluments. During the current year, the Remuneration Committee comprised one executive Director/Chief Executive Officer, namely, Mr. Zhang Zhixiang and the three independent non-executive Directors namely, Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin. Ms. Hu Xiaolin currently serves as the chairman of the Remuneration Committee.

The role and function of the Remuneration Committee include, inter alia, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing policy on such remuneration, reviewing and determining the remuneration packages for all executive Directors and senior management, making recommendations to the Board of the remuneration of non-executive Directors, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment. The terms of reference of the remuneration committee are in compliance with the Code and are available on the website of the Stock Exchange and the Company.

The Remuneration Committee held 1 meeting during the current year, at which the Remuneration Committee reviewed, discussed and determined the remuneration policy and the remuneration of the Directors and the senior management during the year. The attendance record of the Remuneration Committee meetings are as follows:

Name of member	Number of Remuneration Committee meeting attended/Number of meeting held	Title
Ms. Hu Xiaolin *(chairman of the Remuneration Committee)*	1/1	Independent non-executive Director
Mr. Zhang Zhixiang	1/1	Executive Director and Chief Executive Officer
Mr. Qu Weidong	1/1	Independent non-executive Director
Mr. Jiang Senlin	1/1	Independent non-executive Director

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2021, there was no arrangement in which the Directors waived their remuneration.

Details of Directors' remuneration are set out in note 10 to the consolidated financial statements.

Senior management's remuneration payment of the Group in the year ended 31 December 2021 falls within the following bands:

	Number of Individuals
RMB1,000,000 or below	2
RMB1,000,001 to RMB2,000,000	1

NOMINATION COMMITTEE

The Nomination Committee comprised one executive Director/Chief Executive Officer, namely Mr. Zhang Zhixiang and three independent non-executive Directors namely, Mr. Jiang Senlin, Mr. Qu Weidong and Ms. Hu Xiaolin. Mr. Qu Weidong currently serves as the chairman of the Nomination Committee.

The role and function of the Nomination Committee include, inter alia, reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board, identifying individuals suitably qualified to become Directors, assessing the independence of the independent non-executive Directors, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of directors, determining the policy for nomination of Directors and reviewing its own performance, constitution and terms of reference. The terms of reference of the Nomination Committee are in compliance with the Code and are available on the website of the Stock Exchange and the Company.

The Nomination Committee held 1 meeting during the current year. The attendance record of the Nomination Committee meetings are as follows:

Name of member	Number of Nomination Committee meeting attended/Number of meeting held	Title
Mr. Qu Weidong *(chairman of the Nomination Committee)*	1/1	Independent non-executive Director
Mr. Zhang Zhixiang	1/1	Executive Director and Chief Executive Officer
Ms. Hu Xiaolin	1/1	Independent non-executive Director
Mr. Jiang Senlin	1/1	Independent non-executive Director

During the current year, the Nomination Committee adopted a diversity policy setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of having a diverse Board. The Nomination Committee works to ensure a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and objectives. All Board appointments would continue to be made based on meritocracy. Selection of candidates would be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision would be based on merit and contribution that the selected candidates would bring to the Board as well as the needs of the Company.

BOARD DIVERSITY

The Board has established a policy setting out the approach to achieve diversity on the Board with the aims of enhancing Board effectiveness and corporate governance as well as achieving better performance of the Company. The Board believes that a board of directors with a diverse composition will enable the Company to, in a more efficient manner, improve the work quality of the Board, understand and meet customer needs and enhance decision making ability of the Board. In selecting candidates, the Board and the nomination and remuneration committees consider a large number of factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge and years of service, in order to achieve the diversity of members of the Board. The nomination and remuneration committees report annually on the composition of the Board from the perspective of diversity. The Board considers that the current structure and composition of the Board is appropriate to enable it to carry out its responsibilities of leadership and monitoring of the Company.

As at 31 December 2021, the Board comprised 7 Directors, of whom 6 were male and 1 was female. The Board members are diverse in terms of gender, education background, professional experience, skills, knowledge and service term.

COMPANY SECRETARY

Ms. Wong has been appointed as the Company Secretary with effect from 31 December 2019. The Company Secretary reports directly to the Board. All the Directors have easy access to the services of the Company Secretary and responsibility of the Company Secretary is to ensure the Board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advice with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of disclosable transactions, connected transactions and inside information.

Ms. Wong had taken no less than 15 hours of relevant professional training during the year ended 31 December 2021.

INVESTORS RELATIONSHIP

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders and investors. The Board also recognises that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate correspondence on the Company's website. The Board continues to maintain regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and the members of the Board committees would attend and are available to answer questions at annual general meetings of the Company. Separate resolutions would be proposed at general meetings of the Company on each substantially separate issue.

During the year ended 31 December 2021, the Company did not make any significant changes to its memorandum and Articles of Association.

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of Shareholders. The Company reports its financial and operating performance to Shareholders through annual reports and interim reports. Shareholders can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Group's company websites. Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group at annual general meetings.

The Company has conducted a review of the implementation and effectiveness of the shareholder's communication policy during the year. To promote effective communication, the Company maintains a website at www.c-ruifeng.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company or via email to ir@c-ruifeng.com for any inquiries.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time put forward their proposals or inquiries to the Board in writing through the Company Secretary whose contact details are as follows:

China Ruifeng Renewable Energy Holdings Limited
Room 1002, 10/F, Shui On Centre,
6–8 Harbour Road, Wanchai,
Hong Kong
Email: ir@c-ruifeng.com
Tel No.: +852 2598 5188
Fax No.: +852 2114 2358

Procedures for putting forward proposals at general meetings by Shareholders

Pursuant to Article 64 of the Articles of Association, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transactions of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) may do so in the same manner.

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director), shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Articles of Association will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

This environmental, social and governance report (the "**ESG Report**") summarises the corporate social and environmental responsibility initiatives, plan and performance of China Ruifeng Renewable Energy Holdings Limited (hereinafter referred to as the "**Company**", together with its subsidiaries, collectively the "**Group**"). The Group is committed to incorporate ESG issues into our business strategy and execute in our daily operation.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2021 (the "**Reporting Period**").

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

REPORTING SCOPE

This ESG Report covers all areas of the Group's business over which the Group has financial significance and operational influence, as well as those of ESG significance to the Group and its stakeholders, including its main project, Hongsong Wind Farm, in Hebei province, the People's Republic of China (hereinafter as "**PRC**") which accounts for most of the Company's total installed operational wind farm capacity. Unless otherwise indicated, all key performance indicators in this report include only data for the wind farm operation. The Group will continue to assess the major ESG aspects of different businesses and to extend the scope of disclosure when and where applicable.

REPORTING PRINCIPLES

During the preparation for this ESG Report, the Group has applied the reporting principles stipulated in the ESG Reporting Guide as the following:

Materiality	The materiality assessment was conducted to identify material issues during the financial year ended 31 December 2021 (the "**Reporting Period**"), thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the ESG working group. Please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment" for further details.
Quantitative	Supplementary notes are added along with quantitative data disclosed in the ESG Report to explain any standards, methodologies, and source of conversion factors used during the calculation of emissions and energy consumption.
Consistency	The preparation approach of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

BOARD STATEMENT

Oversight of ESG Issues

The board of directors (the "**Board**") holds the ultimate responsibility on monitoring the Group's ESG issues, including ESG management approach, strategy, and policies. In order to better manage the Group's ESG performance and identify potential risks, the Board conducts materiality assessment where necessary with the assistance of the ESG working group to evaluate and prioritise material ESG-related issues with reference to the opinions of our stakeholders.

GOVERNANCE STRUCTURE

ESG working group

The ESG working group, composing of core members from different departments, is established to facilitates the Board's oversight of ESG matters. The ESG working group is responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations, and preparing ESG reports. The ESG working group arranges meetings when required to evaluate the effectiveness of current policies and procedures and formulate appropriate solutions to improve the overall performance of ESG policies. At meetings, the ESG working group discussed the existing and upcoming plans to monitor and manage the Group's strategic goals in terms of sustainable development, mitigate potential risks, and minimise their negative impacts on our business operations. By setting ESG-related goals and targets to minimise the environmental impacts from the Group's operation, the Group affirmed its commitment in embedding sustainability into the business operation and fulfil its corporate responsibility. The ESG working group would report to the Board, assist in assessing and identifying the Group ESG risks and opportunities, evaluate the implementation and effectiveness of internal control mechanism, and review the progress of the set goals and targets.

CONTACT US

We welcome views and suggestions from readers on this ESG Report or on our ESG performance. Your comments regarding the ESG Report are constructive to our determining the Group's future sustainability strategy. If you have any comments on or suggestions about the ESG Report or our ESG performance, please contact us by email at ir@c-ruifeng.com.

MESSAGE FROM CHIEF EXECUTIVE OFFICER

The Group is committed to developing renewable energy, we have constructed national grid along with transmitting efficient and stable wind energy source, to explore and utilise wind farm resources and realise integrated operation. On the other hand, being a responsible corporate citizen, the Group is committed to building and growing its business in a sustainable manner, so as to positively influence our surrounding communities and the environment.

Our business units have various sustainable development principles integrated within their policies and operational procedures. We endeavour to foster a sense of environmental stewardship within the Group, continue to cultivate our talented employees by implementing training programmes and strive to improve our sustainability performance and resource efficiency.

With these concluding thoughts, I would like to extend my thanks to all of our stakeholders, particularly our employees, none of our accomplishments in the past, present or future could be possible without their support. Therefore, the Group takes great care to meet the needs of our staff, including their well-being through workplace benefits and oversight of occupational health and safety.

In the future, the Group will speed up the development in wind power business and leverage on the resources and advantages of our own power grid business in the proactive exploration of development opportunities among the other fields of new energy with an aim to establish a firm market position in the new energy industry.

STAKEHOLDER ENGAGEMENT

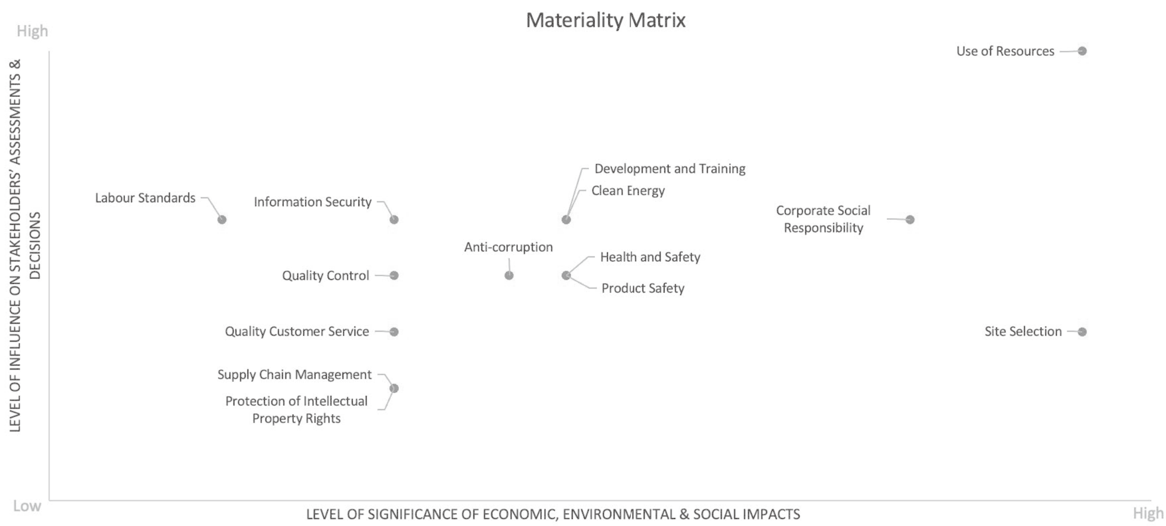
The Group recognises the responsibility and accountability to all stakeholders. We actively listen to external opinions in an effective and careful manner and respond to and addressing their concerns as we believe their opinions are indispensable for business development and the fulfillment of the Group's corporate social responsibility. As such, we continue to maintain close communication with our stakeholders and improve ourselves, so as to promote and enhance our performance of sustainable development. Stakeholder's expectations have been taken into consideration by utilising diversified engagement methods and communication channels as shown below:

Stakeholders	Concerns	Communication Channels
Shareholders and investors	• Corporate governance system • Information disclosure and transparency • Protection of interests and fair treatment to shareholders • Investment returns	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Company website and email
Customers	• Stable relationship • Product and service quality • Customer privacy protection • Business integrity and ethics	• Customer support hotline and email
Employees	• Career development opportunities • Health and safety • Remuneration and benefits • Working environment	• Trainings, seminars and briefing sessions • Staff appraisals • Cultural and sports activities • Intranet and emails
Suppliers and partners	• Fair tendering • Business ethics and reputation • Long-term partnership	• Business meetings, emails and phone calls • Review and assessment • Regular meeting
Regulatory bodies and government authorities	• Compliance with rules and laws • Implementation of policies • Payment of payment	• Compliance advisor • On-site inspections • Financial reports • Website • Legal advisor

Stakeholders	Concerns	Communication Channels
The community, non-governmental organisations, and media	• Giving back to society • Environmental protection • Social welfare • Health and safety	• Community activities • ESG reports • Media

MATERIALITY ASSESSMENT

The Group's management and staff in major functions are involved in the preparation of this ESG Report. To better understand the expectations of stakeholders on the Group's ESG performance, we have conducted a materiality assessment in a survey form to collect information from relevant departments, business units and stakeholders of the Group to identify the material ESG issues. The material ESG aspects recognised as the key concerns to the Group's sustainability, which substantially impact the sustainability of the Group.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

ENVIRONMENTAL PROTECTION

Management Guidelines and Policies

Over the past years, the Group has formulated a variety of environmental policies and management measures pursuant to the Environmental Protection Law of the PRC. Environmental considerations are central to our decision-making and management processes, the Group is committed to raising standards for environmental protection of the society and to minimise the risks and impacts of the Group's operations on the environment, thereby creating a cleaner and liveable environment.

During the Reporting Period, the Group strictly complies with all applicable environmental laws and regulations and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, such laws and regulations include but are not limited to the Environmental Protection Law of the PRC, the Prevention and Control of Atmospheric Pollution of the PRC.

A. ENVIRONMENTAL

A1. Emissions

Air emission

The air pollutant the Group generated is mainly due to automobile emissions in wind farm. In response to the above source, the Group has actively taken the following emission reduction measures to minimise the impacts:

- Conduct regular vehicle inspection and maintenance to enhance vehicle efficiency;
- Educate employees to turn off engines for idling vehicles; and
- Actively adopt other emission reduction measures, which are described in the section headed "Countermeasures to Climate Change".

During the Reporting Period, the Group's air emissions performance was as follows:

Types of exhaust gas	Unit	2021	2020
Nitrogen Oxides (NOx)	kg	268.67	232.60
Sulphur Oxides (SOx)	kg	1.46	1.18
Particulate Matter (PM)	kg	25.74	22.29

Waste management

The Group has been pursuing a responsible approach to the treatment and disposal of different types of waste generated pursuant to the requirement of relevant regulation.

The hazardous waste generated by our wind farms are mainly used lubricating grease and wastes related thereto, such as containers used to store lubricating grease. Lubricating grease is mainly used to lubricate the turbine unit. To ensure that there is no leakage of lubricating grease, our technicians inspect, clean and repair the parts regularly. Our technicians also add lubricating grease according to the original maintenance requirements of relevant machine so as to avoid unnecessary waste grease. We have set up warehouses to store hazardous wastes with dedicated personnel to manage the collection and storage of waste grease, and appointed appropriate and qualified contractor to properly handle the materials contaminated with lubricant oil. Besides, we recycle and dispose of the lubricant oil containers in strict accordance with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes, so as to effectively reduce and manage hazardous wastes in all aspects; classify chemical waste and get them correctly packed and properly labelled for identification purpose before passing them to the entrusted entity for transportation and disposal, and provide clear work guidelines to employees.

The Group also attaches great importance to the management of non-hazardous waste. Non-hazardous wastes generated were principally general waste. We advocate waste reduction from the source and follow the 3R waste management strategy to reduce waste generation and consider reuse and recycle before waste disposal, so as to achieve our goal of "zero harmless waste". The Group has also adopted the following environmentally friendly initiatives to enhance its environmental performance:

- Reduce the use of single-use disposable items; and
- Recycle office and electronic equipment after their life cycle.

During the Reporting Period, the Group's wastes disposal performance was as follows:

Types of waste	Unit	2021	2020
Non-hazardous waste	tonnes	24.06	24.00
Non-hazardous wastes intensity	tonnes/GWh	0.03	0.03
Hazardous waste	tonnes	11.70	2.80
Hazardous waste intensity[1]	tonnes/GWh	0.016	0.004

As of 31 December 2021, the Group had generated wind power of 747.31GWh (FY2020: 736.69GWh). This is also used for calculating other intensity data.

To ensure the effectiveness of the measures, the Group decided to set a target of reducing the total non-hazardous wastes intensity (tonnes/GWh) and hazardous wastes intensity (tonnes/GWh) by 2025 compared to the Reporting Period.

A2. Use of Resources

As a clean energy supplier and producer, the Group recognises the value of resources. We are committed to reducing the consumption of resources to achieve the optimal utilisation of resources throughout our operations. In order to reduce energy and improve the efficiency of resource utilisation, we have implemented several management systems in different business units to improve the efficiency of resource utilisation from all aspects covering resource recovery, energy saving, moving towards to electronic means and water conservation.

Energy saving and consumption reduction

Electricity is attributable to the majority of the Group's energy consumption. The Group has strived to adopt new technologies and equipment, and has implemented a number of targeted actions related to energy-saving to promote environmental performance and reduce energy consumption. For example, the Company uses high-efficiency heat pumps that could reduce more than 50 tonnes of standard coal consumption per annum. Moreover, the Company has adopted the following measures for further reducing consumption of energy:

- Encouraged natural lightings in the offices in order to reduce power consumption for lighting during daytime;

- Set and maintain air-conditioned room temperature between 24°C and 26°C in the office;

- Switch off idle office equipment, such as computer displays and printers at the end of the working day; and

- Inspect, repair and maintain all equipment on a regular basis to reduce energy wastage due to mechanical ageing.

Anomaly in energy consumption will be investigated to find out the root cause and preventative measures will be taken. Through the implementation of the above initiative, employees' awareness on energy reduction has been increased. During the Reporting Period, the Group's energy consumption performance was as follows:

Types of energy	Unit	2021	2020
Direct energy consumption	MWh	1,072.18	1,179.26
Petrol	MWh	455.89	388.23
Diesel	MWh	616.29	791.03
Indirect energy consumption	MWh	2,892.24	2,163.16
Electricity	MWh	2,892.24	2,163.16
Total energy consumption	MWh	3,964.42	3,342.42
Total energy consumption intensity	MWh/GWh	5.30	4.54

To ensuring the effectiveness of the measures, the Group decided to set a target of reducing the total energy consumption intensity (MWh/GWh) by 2025 compared to the Reporting Period.

Water efficiency

The Group's water consumption is mainly arising from the daily use of water by employees. Although the Group's operation did not consume a significant amount of water, we still consider water consumption as an important issue. The Group has adopted the following measures for more efficient use of water:

- Promote the concept of water consumption among employees and strengthens the maintenance, inspection and management of water-consuming equipment for water conservation;

- Pays attention to the efficient utilisation of water resources, and carries out effective management from both awareness and practice perspectives;

- Promotes employee awareness of water conservation by putting up posters and signs, striving to achieve "turn off water when you leave"; and

- Regular inspection on water pipes and related equipment, and handling of drips and leaks in a timely manner are proven measures to ensure efficient utilisation of water resources and reduction in wastage.

During the Reporting Period, the Group's water consumption performance was as follows:

Indicator	Unit	2021	2020
Water consumption	m^3	7,114.00	7,123.00
Water consumption intensity	m^3/GWh	9.52	9.66

During the Reporting Period, the Group targets to promote water conservation intensity by 2025 compared to the Reporting Period.

Paperless office

In view of the burden on forest resources from paper used in offices, the Company takes initiatives to create an efficient "paperless, information-based and systematic" working environment. Wherever feasible, all paper shall be used on both sides, electronic systems shall be employed for archiving and preparation of documents, and unnecessary documents shall be deleted or reduced. Employees are encouraged to post announcements, report on information of the latest events or collect comments and suggestions via electronic communication, thus effectively reducing paper consumption in the course of daily operation and make contributions to the protection of valuable forest resources. During the Reporting Period, the Group has consumed approximately 0.062 tonnes of paper.

Packaging materials consumption

Due to the Group's business nature, the use of packaging material is not considered to be a material ESG aspect of the Group.

A3. The Environmental and Natural Resources

Biological Diversity

The Group places particular emphasis on the impact of business activities on biodiversity and local ecosystems. Therefore, we have adopted various environmental protection measures and provide corresponding protection at the places where we operate. The Company seeks to achieve environmental protection during the construction and operation stages of wind farms. The development and operation of wind farms may also have a negative impact on the ecological environment or local residents, such as the noise pollution, the use of land space and marine space, etc.. As such, in the course of site selection and construction of a wind farm, the Company will carry out practical assessment, give full consideration to the site's ecological value, impact on surrounding areas and the susceptible groups, and ensure that all constructions have environmental assessment approvals issued by regulatory authorities and conform to national environmental protection policies. The Company also abides by the operational requirements, including the handling of wastes related to lubricant oil in accordance with national laws and regulations in order to minimise the potential environmental impact and maximise the benefit of clean wind power.

Green procurement

As for procurement, it is the Group's on-going task to encourage green procurement strategies. For instance, prioritising to the use of refrigerators and other electrical appliances with energy efficiency labels, using various environmentally friendly materials such as reusable ink cartridges, recycled papers and secondhanded furniture, so as to avoid consumption of excessive resources.

A4. Climate Change

The Company recognises that clean energy has become an indispensable part of the environment and economy for the country and even the globe. Wind energy is one of the favourable renewable and sustainable energy sources for which many countries intend to use to gradually replace fossil fuels. Therefore, we are committed to developing wind farm projects to provide the state power grid with clean and renewable energy, thereby reducing our dependence on conventional fossil fuels and hence effectively avoiding GHG emissions. The Company invests resources so as to progressively improve wind power capacity and integrates environmental management into each level of its operational strategies.

The principal sources of the Group's GHG emissions were generated from fuel consumption by automobiles and stationary machineries (Scope 1) as well as purchased electricity (Scope 2). To reduce GHG emissions, we embrace green practices in our day-to-day operations and we have adopted the following measures in our operations:

- Eliminate substandard vehicles and regularise the procurement of diesel and gasoline for vehicles;
- Utilise teleconference or video meetings to prevent non-essential business travel; and
- Actively adopt environmental protection, energy conservation, and water conservation measures, which are described in the sections headed "Making Good Use of Resources".

Besides, the Group propagates environmental protection messages to employees by posting notices and posters of green information in office areas to raise their awareness and promote best practices of environmental management. With the adoption of the above measures, employees' awareness on GHG emissions has been raised. During the Reporting Period, the Group's GHG emissions performance was as follows:

Indicators[1]	Unit	2021	2020
Scope 1 — Direct GHG emissions	tCO_2e	282.08	226.29
Scope 2 — Energy Indirect GHG emissions	tCO_2e	2,724.20	1,857.51
Total GHG emissions	tCO_2e	3,006.28	2,083.80
Total GHG emissions intensity	tCO_2e/GWh	4.02	2.83

To ensuring the effectiveness of the measures, the Group decided to set a target of reducing the total GHG emissions intensity (tCO_2e/GWh) by 2025 compared to the Reporting Period.

Note:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and based on, including but not limited to, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards issued by the World Resources Institute and the World Business Council for Sustainable Development, How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs issued by the Stock Exchange of Hong Kong Limited, Global Warming Potential Values from the IPCC Fifth Assessment Report, 2014 (AR5), and the latest emission factors of China's regional power grid basis.

The clean energy generated by wind power can effectively avoid GHG emission. During the Reporting Period, the GHG emissions avoided by wind power generated by Hongsong Wind Farm was as follows:

Indicator	Unit	2021
The clean energy generated by wind power	MWh	747,320.00
GHG emissions avoided	tCO_2e	703,900.71

The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore closely monitors the potential impact of climate change on our business and operations. In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks.

Physical Risks

The increased frequency and severity of extreme weather events such as typhoons, storms, heavy rains, and extreme cold or heat pose acute and chronic physical risks to the Group's business. The Group's capacity and productivity will be reduced under extreme weather events as the safety of our employees is threatened and the operational sites might be damaged, which exposes the Group to risks associated with non-performance and delayed performance, leading to direct negative impact on the Group's revenue.

To minimise the potential risks and hazards of extreme weather events, such as typhoon and rainstorm, which might cause interruptions on our business, the Group has established mitigation plans including flexible working arrangements, and precautionary measures such as regular inspection of office premises. Moreover, we maintain comprehensive insurance coverage for assets that are prone to damage by extreme weather conditions, minimising the potential maintenance and repair costs required. To minimise the potential risks and hazards, the Group has established mitigation plans, including flexible working arrangements and precautionary measures during bad or extreme weather conditions such as typhoon and rainstorm. The Group will explore emergency plan to further reduce the vulnerability of our installations to extreme weather events in order to enhance business stability.

Transition Risks

To achieve the global vision on carbon neutrality, the Group expects evolution of the regulatory, technological and market landscape due to climate change, including the tightening of national policies and listing rules and the emergence of environmentally related taxes. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits, which might incur additional compliance costs and affect the reputation of the Group.

In response to the policy and legal risks as well as the reputation risks, the Group constantly monitors any changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response. In addition, the Group has been taking comprehensive environmental protection measures, including GHG reduction measures, has set targets to gradually reduce the Group's energy consumption and GHG emissions in the future.

B. SOCIAL

B1. Employment

The Group's achievement over the business performance is largely rooted on the recruitment, retention of talents and the relative training for staff members. The Group recognises the importance of attracting and retaining talents are constructive for the Group to remain competitive. The Group's talent management policy covers the expansion of recruitment platform, providing attractive remuneration package and benefits, facilitating employee training and career development and promoting employees' work-life balance, aiming to become the "best employer". Meanwhile, the Group strives to create a safe, inclusive and caring work environment. Our dedicated human resources committee will always review and improve related employment policies and ensure they are kept up with local laws and regulations. The Group also ensures employment practices are aligned with the set of legal requirements and industrial standards.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact to the Group, such laws and regulations include but are not limited to the Labour Law of the PRC, the Labour Contract Law of the PRC, and the Social Insurance Law of the PRC.

As at 31 December 2021, the Group had a total of 95 full-time employees, for which all of them are in the PRC. The distribution of employees according to gender and age group are as follows:

	2021	2020
Total number of employees	95	96
Gender		
Male	79	80
Female	16	16
Age Group		
18–24	0	1
25–34	22	49
35–44	69	43
45–54	4	3
55–64	0	0
65 or above	0	0

	2021	2020
Geographical region		
Mainland China	95	96
Employment Type		
Full-time	95	96
Part-time	0	0

Equal employment

Equal opportunity and diversity

The Group is committed to creating a working environment of mutual respect, harmonious inclusiveness and safety. "Non-discrimination" and "diversification" are two major elements in our management and operation planning. We adopt diversity and non-discriminatory policies to ensure that each job applicant is entitled to his/her respective rights. The Company's Employee Handbook has clearly set out the anti-discrimination guidelines and principles of equal opportunities, stipulating that all employees are provided with equal opportunities, regardless of their race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. Our recruitment process shall be carried out in accordance with the Labour Law of the PRC and the Labour Contract Law of the PRC, and our employees shall be recruited according to the employment procedures and standards as stipulated in the Company's systems. Any employee who is intimidated, humiliated, bullied or harassed (including sexual harassment) may report to the employee's representative, or file complaints directly to the management representative or the general manager, and the Group will take a serious approach to resolve these issues upon receiving the said complaints.

Recruiting and retaining talents

We review our human resources demand on a regular basis, and discuss with department heads on talent requirements to ensure sufficient and suitable candidates are employed and talents are securely retained for corporate development. Moreover, the Company attaches great importance to the fair and objective evaluation of its employees' performance. Therefore, we have established an Administrative Measures on Employee Performance to assess employees' performance and provide an objective and reliable basis for remuneration decision, education and training, promotion, reward and recognition, etc..

Protection of rights and interests

As a responsible employer, the Company has formulated the Labour Contract Management Methods based on the Labour Law of the PRC, the Labour Contract Law of the PRC and other relevant laws and regulations in the PRC. The policy is formulated with reference to the Group's actual operating conditions so as to standardise the Group's management of labour contracts and strengthen the bilateral bond with employees. We will handle retirement formalities for employees who have reached the statutory retirement age in accordance with the relevant regulations; and go through any dismissal procedures according to the Labour Law and as stipulated in the relevant labour contract. The Group does not tolerate the dismissal of employees under any unreasonable basis. Any termination of the employment contract would be based on reasonable and lawful grounds supported by internal policies of the Group. In the event of a work-related accident, the Group will make reasonable compensation and properly handle the same in accordance with relevant laws.

Employee treatment

The Group has developed a comprehensive salary review mechanism. We consider the research result for salary review in the job market in addition to the business performance, employee's duty and their annual performance appraisals to adjust corresponding remuneration so as to provide employees with fair and competitive compensation packages.

The Attendance Management System has been formulated in accordance with relevant national regulations to ensure that production and working are in order. The well-established internal rules help to reinforce labour discipline, improve man-hour utilisation and labour efficiency, and protect employees' right to rest periods and vacations.

The Group continues to invest in improving the benefits of its staff. We have formulated relevant employee welfare in accordance with standards by Ministry of Human Resources and Social Security of the PRC as well as the Labor Law of the PRC. The Group pays five social insurances and one housing fund for its employees in the PRC in compliance with the laws and regulations, namely endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund to ensure employees are covered by social insurance. During the employment period, each employee receives appropriate remuneration with sufficient compensation for rest periods, vacation, sickness, injury and occupational diseases, as well as childbirth benefit and death compensation. Durations and remuneration levels for periods of medical treatment, pregnancy, childbirth and lactation are all complied with relevant laws and regulations.

Employee engagement

We understand that the cohesion between the Group and its employees serves as an important driver for the development of the Group, and establishing good communication channels between the employees and us comes to the cornerstones of the operation of the Group. Therefore, we use electronic channels and notice board for announcing latest message and information on a regular basis to employees, and employees can express their views and suggestions freely in any communication channels.

During the Year, the Group recorded a turnover rate of approximately 1.05%. The table below shows the employee turnover rate by gender, age group and geographical region:

	Employee Turnover rate
Gender	
Male	1.27%
Female	–
Age group	
18–24	–
25–34	–
35–44	1.45%
45–54	–
55–64	–
65+	–
Region	
Mainland China	1.05%

B2. Health and Safety

Employees are the most valuable resource to us, occupational health and safety is a priority of the Group. We strive to create a safe and healthy working environment for employees and to achieve the goal of zero work accidents. Various measures are taken to prevent occupational diseases and industrial casualties. We implement policies with reference to the Labour Law of the PRC and standards relating to occupational health in the wind power industry, and formulate the Safety Education and Training System, the Work Safety Supervision System, the Safety Hazard Screening System, and the Labour Protection System and the Occupational Health Inspection System to fully guarantee advanced levels of occupational safety through systems, education, inspection.

The number of work-related fatalities and work days lost due to work-related injuries and over last three years are as follows:

	2019	2020	2021
Work-related fatalities	1	0	0
Number of lost days due to work-related injuries	0	0	0

During the Reporting Period, there were neither reported cases of work-related fatalities, nor the Group was aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, such laws and regulations include but are not limited to the Law of the PRC on the Prevention and Control of Occupational Diseases.

Work Safety Supervision System

In order to achieve effective supervision on work safety, we have established the Work Safety Supervision System and arranged dedicated personnel to take charge of the Group's occupational health and safety affairs. We convene meetings periodically to discuss environment, safety and health matters, and review the performances of occupational health and safety affairs so as to decrease the number of on-the-job accidents. Meanwhile, we are subjected to the supervision and guidance from the local government safety supervision department, whereby the accident risks in our workplaces and equipment are screened in accordance with the Safety Hazard Screening System, and matters regarding occupational health and safety are rectified and improved in accordance with relevant national laws. The Group has also formulated the Labour Protection System to effectively protect the safety and health of our employees. Our employees are provided with protective equipment including safety helmets, insulated boots and dust masks in keeping with legislation to further safeguard occupational safety of employees.

In addition, the Group organises various occupational health and safety training programs each year to enhance the health and safety awareness of its employees and contractors. Our Safety Education and Training System covers unified planning, unified management, graded implementation, classification guidance, safety training and other work in line with state regulations for the electrical power industry and other relevant regulations. We uphold the principle of "training before work begins" by arranging employees to regularly receive various safety education and training courses. The Company has also incorporated safety training into its annual training programme and set up safety education and training records.

In view of the COVID-19 outbreak, the Group remains highly vigilant to the potential impact of health and safety on its employees. The Group has issued memorandum to its employees to remind them of the importance of maintaining personal hygiene and conducting additional sanitation procedures to the windfarm and the Group's premise. The Group required that employees and any personnel entering the Group's premise should have their temperature taken before entering the Group's premise, they were also required to wear a facial mask at all times. The Group has also imposed measures to avoid the spreading of COVID-19, such as providing alcohol-based hand sanitisers to everyone entering the Group's premise.

Communication with employees

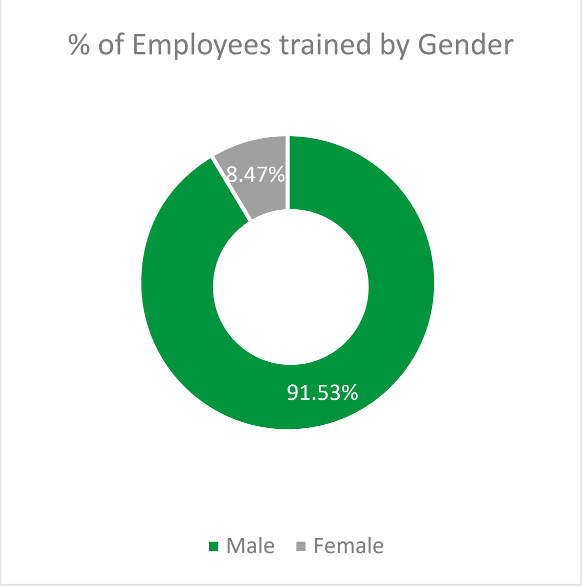
The Group employs a variety of communication channels, such as WeChat, e-learning platforms and corporate social networks, to promote occupational safety among its employees. These channels can also be used to issue accident warnings to business teams so as to facilitate our employees to acquire necessary information on health, safety and environmental protection in a timely manner. We collect information concerning health and safety and upload such information to intranet for employees to review.

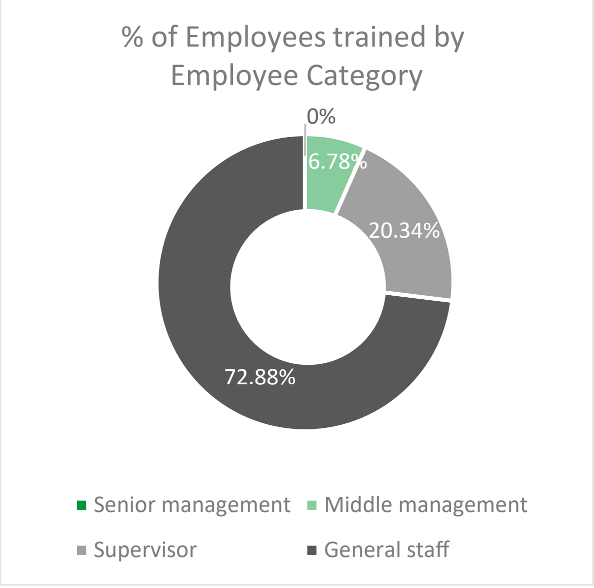
B3. Development and Training

Management guidelines and policies

We believe that continuous learning and development are indispensable to enhance the value of our team and the professionalism of our employees, and will in turn improve the productivity of the Group. Therefore, the Group has invested heavily in employee development and training, and encouraged our employees to attend external and internal trainings relating to career development. We have adopted relevant policies to ensure that employee trainings are provided and managed in a systematic manner, to ensure all employees possess necessary knowledge and skills, and encourages them to take part in vocational certification and professional evaluation.

During the Reporting Period, the Group has achieved a 62.11 % training rate overall and a total training hour of 1,416 hours. The table below shows the employee training data by gender and employee category: The breakdown of employees trained by gender and employee category are as follows:





During the Reporting Period, the average training hours per employee is 14.91 hours. The breakdown of the average training hours completed per employee by gender and employee category are as follows:

	2021 Average training hours (hours)
By Gender	
Male	16.41
Female	1.52
By Employment Category	
Senior Management	0
Middle Management	13.71
Supervisor	14.74
General Staff	15.52

In order to help new employees adapt to the working environment and integrate into the Group's culture more quickly, we organise orientation training to help them in understanding the Group's system, milestone of development, value, culture and situation. We have also adopted a scheme of veteran employees to mentor new ones where new employees are guided and trained to adapt to daily work. Through such scheme, the expertise and skills for the job role, the operational safety work procedures and the relative experience shared by the veteran employees will help the new comers to get job satisfaction within a short period of time and get better achievement.

Training on various occupational skills

We are dedicated to establishing a team of technical staff with proper training for job-related skills provided. The Group is also committed to providing its employees with training on various occupational skills. Where employees have training development needs, they may attend external training courses after successful application to the department head and apply for reimbursements from the Company for the training expenses incurred. This will help our employees to improve their professional skills, management strength, teamwork spirit and personal efficiency, and will in turn promote the business growth of the Company.

B4. Labour Standards Protection of rights and interests

The Company has always spared no effort in safeguarding human rights. We believe that ethical operation practices can ensure long-term business growth. The Group strictly prohibits the employment of child labour, illegal workers and forced labour, and we maintain a zero tolerance attitude towards any form of child labour, illegal workers and forced labour. Our employees may exercise their rights to freedom of association by joining trade unions and participating in collective negotiation, and report any suspected misconduct or abuse through the whistle-blowing mechanism of the Group.

The Group's human resource and administrative department is responsible for monitoring and ensuring compliance with the latest laws and regulations that prohibit child and forced labour. We will verify candidates' age and nationality by checking their identity in recruitment to avoid illegal labour such as child and illegal worker. Personal data are collected during the employment process to assist in the selection of suitable candidates and to verify candidates' personal data. The human resource and administrative department ensures that the identity documents are carefully checked. If violation is involved, it will be dealt with in the light of circumstances.

The employment contract with the Company clearly specifies working hours, deliverables, job descriptions, labour protection measures and so on, so that the employees can commence their work in full awareness and consensus. The Company prohibits all forms of forced labour and exploitation of labour and ensures all employees work under voluntary circumstances. Recruitment is also fair and voluntary, prohibiting employee recruitment by any coerced or fraudulent means.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to the prevention of child labour and forced labour that would have a significant impact to the Group, such laws and regulations include but are not limited to the Labour Law of the PRC and the Labour Contract Law of the PRC.

B5. Supply Chain Management

It is important to ensure an efficient and sustainable supply chain so as to promote business growth and maintain a competitive edge. We are committed to providing our customers with the best service and stable power supply, and to creating a better and greener future in collaboration with our supply chain. The Group endeavours to comply with all laws and regulations relating to business operation. During the Reporting Period, there was no case of prosecution against the Group for violation of relevant laws.

Suppliers are one of the important stakeholders in the Group's business value chain, and our relationship with them is close and inseparable. The Group is also fully committed to building a good partnership with our suppliers. To promote the business and cooperation with suppliers, the Group has developed a standard procurement work-flow with flexibility in order to cater different needs in our supply chain. During the Reporting Period, the Group had a total of 60 suppliers for which all of them are from the PRC.

Selection criteria

The Group adopts a comprehensive set of supplier selection criteria. The Company's business department verifies suppliers' legal and regulatory compliance before engaging their services. This step includes verifying their legal entity qualification, rights and legitimacy to undertake the supply contract, the management system including quality assurance, contractual capacity and credit standing. In order to promote social responsibility in the supply chain, the supplier's reputation and track record in environmental management and social responsibility are also considered during the process, to allow the Company to review and control environmental and social risks in the supply chain.

In addition, we monitor and evaluate the quality of products and services provided by our suppliers as well as their business ethics on the basis of quality of deliverables, promptness, after-sales service and other factors, so as to ensure that they comply with the relevant requirements and continue to make improvements.

Bidding standards

To comply with the government regulations, the Company's relevant projects requiring open tendering (such as civil engineering projects, wind turbine orders and such like) are tendered out through commissioned agents. In non-tendering purchases, quotations from at least three suppliers or service providers are requested and evaluated by relevant departments and the management before confirmation of the bid winner and bid opening.

Supply chain sustainability

As a responsible corporate, we work together with our suppliers intending to mitigate environmental and social impacts that induced by business operations. We created a comprehensive assessment system for the sake of assuring social responsibility is adhered to. Also, we verified the suitability of approved suppliers/subcontractors annually in terms of quality of services and products, safety and environmental performance, labor standards and financial status.

Green Supply Chain

To support Green Procurement, we applied strict environmental, social and ethical criteria to the suppliers of our business to promote environmentally preferable products and services when selecting suppliers. We place green standards on our suppliers and request provide them to comply with the same standards that have been set by the Group. We have incorporated sustainability considerations into our daily operation sourcing and outsourcing practices, requiring suppliers to meet the green standards.

B6. Product Responsibility

Our primary mission is to provide stable and reliable service. During the course of operation, we strictly abide by various laws and regulations including the Work Safety Law of the PRC and the Special Equipment Safety Law of the PRC as well as relevant regulatory requirements in the places where we operate.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group, such laws and regulations include but are not limited to the Law of the PRC on the Protection of Consumer Rights and Interests, the Product Quality Law of the PRC, the Patent Law of the PRC and the Advertising Law of the PRC.

Quality control and assurance

As the Company's electricity power is supplied to the state power grid, its quality conforms to the standards and key indicators formulated by the National Standardisation Technical Committee on Voltages, Current Ratings and Frequencies as well as the following national standards:

- Permissible Deviation of Supply Voltage GB12325–1990
- Permissible Deviation of Frequency for Power Systems GB/T15945–199
- Permissible Three-Phase Voltage Unbalance Factor GB/T15543–199
- Permissible Voltage Fluctuation and Flicker GB12326–1990
- Harmonics in Public Supply Network GB/T14549–1993
- Demands of Temporary and Transient Overvoltage of Electrical Equipment Used in the Power System, Insulation Level of Electrical Equipment, and Overvoltage Protection Methods GB/T18481–2001

Product safety

To ensure that our products meet industry and national safety standards, we conduct product testing in a clear and effective manner. The Company's electric power system incorporates automatic detection functionality and all power supplied meets the standards (namely permissible deviation in supply voltage, permissible deviation of frequency for power systems, permissible three-phase voltage unbalance factor, permissible voltage fluctuation and flicker, harmonics in public supply network, temporary and transient overvoltage). The Company also makes adjustments based on feedback from the power grid to correct serious problem in a timely manner, and provides adjustment reports when necessary so as to ensure that only products meeting the quality and technical requirements can be delivered to customers.

Service quality

Customer satisfaction has always been the key to the success of the Group. We strive to exceed our customers' expectations by improving the performance of all aspects of our business. We have developed the code of practices for employees to improve customer service processes. In order to solicit valuable feedback from customers, we have formulated customer satisfaction survey for customers to provide feedback about our services. Meanwhile, our management team gives advice regarding to customers' feedback and suggestions with a view of evaluating and improving our services. In cases where any quality and safety concerns arise, the Group will then carry out extensive investigations to discover the causes and develop measures to mitigate and prevent the recurrence of defects and incidents.

Protection of intellectual property rights

We have a strong emphasis on and strive to protect intellectual property rights. To create an environment for a fair competition, the Group has been completely following the standards and practices of the rights. As for the procurement process, all the products the procurement officers purchased are attached with identification label to ensure what they purchase are genuine products.

Information security

In terms of customer's personal data and confidential documents, we properly protect the documents which contain confidential information. The Company continuously improves its information technology infrastructure, provides encryption for all customer information and sets strict authority for access to and use of such information. As customer information represents important and confidential information of the Company, any illegal use thereof is prohibited to ensure the security of customer information. During the Reporting Period, we did not receive any complaint in relation to proven breach of customer privacy or loss of customer information.

B7. Anti-corruption

The Group is committed to building a corporate culture of integrity and business ethics. We require our senior management to adhere to professional and ethical standards and must behave in a highly moral, upright and honest manner. We expect employees to be patriotic, law-abiding, sensible, loyal, enterprising, dedicated, self-confident, self-respecting and self-improving.

During the Reporting Period, there was no concluded legal case regarding corrupt practices brought against the Group or its employees. The Group was also not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering that would have a significant impact on the Group, such laws and regulations include but are not limited to the Criminal Law of the PRC and the Company Law of the PRC.

Corruption-free culture

In order to promote a corporate culture of integrity and anti-corruption, we have established internal code of business ethics as well as to guide our employees and partners with providing rules and guidelines for dealing with gifts, treats, transactions, financial management. We prohibit employees from receiving benefits without permission. All employees shall also professionally abide by the policy formulated by the Group in respect of conflicts of interest, intellectual property, privacy, confidentiality of information, prevention of bribery and corruption, and equal opportunities. In addition, the Company requires its employees to refrain from excessively lavish or frequent hospitality with business partners to avoid deliberate enticement or future demands of inappropriate reciprocation.

Whistleblowing mechanism

In order to resolutely resist the occurrence of incidents such as corruption and fraud, the Group has implemented a Whistleblowing Policy in place. Employees and other stakeholders can report any suspected inappropriate or illegal behaviour to the Group through confidential ways such as mail, email and telephone anonymously. We will conduct serious investigation and follow-up of internal corruption reported case and ensure that the information of the whistleblower is kept confidential in order to protect them against unfair dismissal or victimization, even if the reports are subsequently proved to be unsubstantiated.

Anti-corruption Training

Training related to anti-corruption are rendered to our management and employees to boost their awareness on the prevention of any kind of unethical behaviour such as bribery, extortion, fraud and money laundering. During the Reporting Period, All directors have received anti-corruption training by way of anti-corruption training reading materials ("ANTI-CORRUPTION PROGRAMME — A GUIDE FOR LISTED COMPANIES" published by ICAC) circulated and have spent approximately 2 hours to study instead of physical attending to training due to COVID-19 pandemic.

B8. Community Investment

The Group recognises that its responsibility lies not only in direct contribution to the society and economy, but also in its business operations and public welfare projects which bring impact and effects on the entire society. We strive to nurture corporate culture and practice corporate citizenship in daily work life. To fulfil our corporate social responsibility, the Group focuses on inspiring our employees' sense of social responsibility by encouraging them to participate in activities that contribute to the community. We proactively contact community groups which share similar concepts with the Group's corporate responsibility concept, in any effort to understand the needs of the community. The Group's area of contribution focused strongly on the local community needs.

SUMMARY OF PERFORMANCE DATA

Environmental Performance

	Unit	2021	2020
Exhaust gas emissions			
Nitrogen oxides (NOx)	kg	268.67	232.60
Sulphur oxides (SOx)	kg	1.46	1.18
Particulate matter (PM)	kg	25.74	22.29
Wastes			
Hazardous waste	tonnes	11.70	2.80
Hazardous waste intensity	tonnes/GWh	0.016	0.004
Non-hazardous waste	tonnes	24.06	24.00
Non-hazardous waste intensity	tonnes/GWh	0.03	0.04
Greenhouse gas emissions			
Scope 1 — Direct GHG emissions	tCO_2e	282.08	226.29
Scope 2 — Energy indirect GHG emissions	tCO_2e	2,724.20	1,857.51
Total GHG emissions	tCO_2e	3,006.28	2,083.80
Total GHG emissions intensity	tCO_2e/GWh	4.02	2.83
Avoided greenhouse gas by wind power generation			
Power generation	MWh	747,320.00	736,690.00
GHG gas emissions	tCO_2e	703,900.71	632,595.70
Energy use			
Direct energy consumption	MWh	1,072.18	1,179.26
Petrol	MWh	455.89	388.23
Diesel	MWh	616.29	791.03
Indirect energy consumption	MWh	2,892.24	2,163.16
Purchased electricity	MWh	2,892.24	2,163.16
Total energy consumption	MWh	3,964.42	3,342.42
Total energy consumption intensity	MWh/GWh	5.30	4.54

	Unit	2021	2020
Water use			
Water consumption	m^3	7114.00	7,123.00
Water consumption intensity	m^3/GWh	9.52	9.66
Other resources			
Paper consumption	tonnes	0.06	0.06

Social Performance

	Unit	2021	2020
Total employees	persons	95	96
By Age Group			
18–24 years old	persons	0	1
25–34 years old	persons	22	49
35–44 years old	persons	69	43
45–54 years old	persons	4	3
55–64 years old	persons	0	0
65 years old or above	persons	0	0
By Gender			
Male	persons	79	80
Female	persons	16	16
By Employment Type			
Full-time	persons	95	96
Part time	persons	—	—
By Employment Category			
Senior management	persons	2	2
Middle management	persons	7	7
Supervisors	persons	19	19
General staff	persons	67	68

	Unit	2021	2020
Employees Turnover rate			
Area: China	percentage	1.05	1.04
By Age Group			
18–24 years old	percentage	—	—
25–34 years old	percentage	—	2.04
35–44 years old	percentage	1.45	—
45–54 years old	percentage	—	—
55–64 years old	percentage	—	—
65 years old or above	percentage	—	—
By Gender			
Male	percentage	1.27	1.25
Female	percentage	—	—
Health and Safety			
Work-related fatalities	persons	—	—
Lost days due to work-related injuries	days	—	—
Training and Development			
Total training hours	hours	1,416	4,880
Average training hours by Employee Category			
Senior Management	hours	0	0
Middle Management	hours	13.71	5.71
Supervisor	hours	14.74	4.21
General Staff	hours	15.52	1.18
Average training hours by Gender			
Male	hours	16.41	57.00
Female	hours	1.52	4.00

	Unit	2021	2020
Employees trained by Employee Category			
Senior Management	percentage	0	0
Middle Management	percentage	6.78	5.56
Supervisor	percentage	20.34	19.67
General Staff	percentage	72.88	73.77
Employees trained by Gender			
Male	percentage	91.53	93.44
Female	percentage	8.47	6.56
Number of Suppliers			
Mainland China	suppliers	64	60
Product Responsibility			
% of product recall due to health and safety reasons	percentage	—	—
Complaints against products and services	cases	—	—
Anti-corruption			
Concluded legal cases brought against the issuer or its employees during the Reporting Period	cases	—	—

LINKSFIELD
CPA LIMITED

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

What we have audited

The consolidated financial statements of China Ruifeng Renewable Energy Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 88 to 177, which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

We were appointed as the auditor of the Company in respect of the Group's consolidated financial statements for the year ended 31 December 2021 on 6 January 2022.

1. Interest in an associate and amount due from an associate

As set out in predecessor auditor's report dated 14 May 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, the predecessor auditor had qualified their opinion due to a limitation on the scope of their audit in relation to the carrying amounts of: (i) interest in an associate; and (ii) amount due from an associate, as they were unable to obtain sufficient appropriate audit evidence to satisfy themselves on whether any adjustments were necessary to the carrying amounts as at 31 December 2020 in respect of the interest in an associate carried at RMBNil and the amount due from an associate carried at RMBNil and the corresponding share of loss of an associate of approximately RMB92,803,000 and expected credit losses on amount due from an associate of approximately RMB29,187,000 recognised respectively for the year ended 31 December 2020.

As further described in Notes 18 and 24 to the consolidated financial statements for the year ended 31 December 2021, based on the management accounts of the associate, the company and legal searches on the associate and the recoverability assessment works on the associate's debtors conducted by the Group's external legal advisers, their legal opinion and recovery efforts including the demand repayment made by the Group, the management are of the view that any recovery of the carrying amounts of the interest in an associate and amount due from an associate to be minimal. As a result, as at 31 December 2021, the interest in an associate and amount due from an associate continued to be fully impaired.

Despite the above, given the lack of sufficient appropriate audit evidence to assess the appropriateness of the key assumptions adopted by the management in their previous year's assessments of the valuation of the interest in an associate and amount due from an associate, as of the date of this report we were unable to determine whether any adjustments were necessary to the opening balances of the interest in an associate carried at RMBNil and the amount due from an associate carried at RMBNil as at 1 January 2021. Any adjustments to the opening balances of the carrying amounts of interest in an associate and amount due from an associate as at 1 January 2021 could have a significant consequential effect on the consolidated losses as reported by the Group for the year ended 31 December 2021 and the corresponding figures for the year ended 31 December 2020. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments to the share of loss of an associate of RMBNil and the expected credit losses on amount due from an associate of RMBNil recognised in the consolidated statement of profit or loss for the year ended 31 December 2021, were necessary.

2. Other receivables

As set out in predecessor auditor's report dated 14 May 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, the predecessor auditor had qualified their opinion due to a limitation on the scope of their audit in relation to the carrying amounts of certain other receivables of approximately RMB78,423,000, as they were unable to obtain sufficient appropriate audit evidence to satisfy themselves on whether any adjustments were necessary to the carrying amounts as at 31 December 2020 in respect of these other receivables of approximately RMB78,423,000 and the corresponding expected credit losses on these other receivables of RMBNil recognised for the year ended 31 December 2020.

As further described in Note 24 to the consolidated financial statements for the year ended 31 December 2021, based on the company and legal searches conducted by the Group's external legal advisers and their legal opinion, recovery efforts including the demand repayment made by the Group and the legal action taken by the Group, the management are of the view that any recovery of the carrying amounts of these other receivables of approximately RMB78,423,000 to be minimal. As a result, as at 31 December 2021, the carrying amounts of these other receivables were written down to RMBNil on the consolidated statement of financial position such that the expected credit losses on these other receivables of approximately RMB78,423,000 were recognised in the consolidated statement of profit or loss for the year ended 31 December 2021.

Despite the above, given the lack of sufficient appropriate audit evidence to assess the appropriateness of the key assumptions adopted by the management in their previous year's assessments of the carrying amounts of these other receivables, as of the date of this report we were unable to determine whether any adjustments were necessary to the opening balances of these other receivables carried at approximately RMB78,423,000 as at 1 January 2021. Any adjustments to the opening balances of the carrying amounts of these other receivables as at 1 January 2021 could have a significant consequential effect on the consolidated losses as reported by the Group for the year ended 31 December 2021 and the corresponding figures for the year ended 31 December 2020. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments to the expected credit losses on these other receivables of approximately RMB78,423,000 recognised in the consolidated statement of profit or loss for the year ended 31 December 2021 were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

— impairment on property, plant and equipment; and

— assessment of the expected credit losses ("**ECL**") on trade and other receivables.

Key Audit Matters

Impairment on property, plant and equipment

Refer to Note 4(a) and Note 16 to the consolidated financial statements for related disclosure.

The Group recorded property, plant and equipment of approximately RMB1,063,660,000 as at 31 December 2021, of which construction in progress ("**CIP**") amounted to approximately RMB57,912,000 mainly represented a wind farm construction project in Baotou City of Inner Mongolia.

Management performs assessment whenever events or changes in circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable. In carrying out the impairment assessment, management identified and determined cash-generating units ("**CGUs**") and performed the assessment for individual CGUs as required by HKAS 36 "Impairment of assets".

During the year ended 31 December 2021, the construction of a wind farm project in Baotou City of Inner Mongolia under CIP was suspended since the supplier was in financial difficulties and failed to deliver certain machineries and equipment for the construction project of a wind farm in Baotou City of Inner Mongolia, and this represented an impairment indicator of CIP within that CGU. Management conducted the impairment assessment for the relevant CGU by determining the recoverable amount based on the higher of fair value less cost of disposal ("**FVLCD**") derived from market search and value-in-use ("**VIU**") calculation using the discounted cash flows forecast ("**DCF**").

How our audit addressed the Key Audit Matters

We performed the following procedures to address the key audit matter:

- Obtained an understanding of and evaluated the management's internal controls over the determination of individual CGUs, the identification of relevant CGU having impairment indicators and preparation of the cash flow forecasts and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;

- Evaluated the appropriateness of management's assessment process on CGU determination and impairment indicator identification by:

  – Enquiring of management on their basis of identifying impairment indicators; and

  – Challenging the judgments made in the identification of impairment indicators;

- Tested management's impairment assessment of property, plant and equipment by assessing the DCF used in the calculation as set out below:

  – Comparing the key input data in management's DCF to the budget and the business plan approved by senior management; and

  – Assessing the methodology adopted and the mathematical accuracy of the underlying DCF calculation;

Key Audit Matters

Preparation of DCF require the use of many assumptions and management, with the assistance of an independent external valuer, exercised significant judgments in determining these assumptions. Key assumptions adopted and judgment exercise in the preparation of the DCF included:

- Revenue growth rates;
- Terminal growth rates; and
- Pre-tax discount rate.

Based on the results of management's impairment assessment, the impairment loss of approximately RMB40,657,000 on property, plant and equipment of the CGU was recognised for the year ended 31 December 2021.

We focused on this area due to the magnitude of the relevant balance, the higher degree of estimation uncertainty and subjectivity in management's judgment involved to determine the recoverable amount of property, plant and equipment.

How our audit addressed the Key Audit Matters

- Involved our internal valuation specialist in our discussion with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the inputs, assumptions and estimates adopted in the valuation by (i) examining the underlying financial statements; and (ii) assessing the key parameters used, such as revenue growth rates, terminal growth rates and pre-tax discount rate, against available market information;
- Assessed the competence, capabilities and objectivity of the independent external valuer; and
- Assessed management's sensitivity analysis on the key assumptions, to consider the extent to which adverse changes, would result in property, plant and equipment being impaired and discussed with management the likelihood of such change in the key assumption arising.

Based on the procedures performed, we found the significant judgments and assumptions made by management to identify whether any impairment indicators existed for any of property, plant and equipment and determine the recoverable amounts of property, plant and equipment to be supported by available evidence.

Key Audit Matters

Assessment of the ECL on trade and other receivables

Refer to Note 3.1(b), Note 4(b) and Note 24 to the consolidated financial statements for related disclosure.

As at 31 December 2021, the Group had carrying amounts of trade and other receivables of approximately RMB887,974,000 (after provision of approximately RMB296,086,000), representing approximately 39.7% of the Group's total assets.

The Group applies HKFRS 9 to measure the ECL of trade and other receivables which have been assessed for impairment on a collective group basis based on different credit risk characteristics. Management assessed the ECL based on estimation about risk of default and expected loss rates, and judgment was used in making these assumptions and selecting the inputs to the impairment calculation, including the credit loss experience, ageing of overdue trade receivables, historical settlement records, credit ratings, financial positions, relationships with debtors and other factors that impacted their ability of repayment. Management also took into account of existing market conditions and forward looking information.

We focused on this area due to the magnitude of the relevant balances and the complexity of models and subjectivity of significant assumptions and data used in the estimation of expected credit losses.

How our audit addressed the Key Audit Matters

We performed the following procedures to address the key audit matter:

- Obtained an understanding of management's internal control and assessment process of the ECL of trade and other receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity of models and subjectivity of significant assumptions and data used;
- Evaluated the Group's policy for estimating the ECL allowance with reference to the requirements of the prevailing accounting standard;
- Assessed the appropriateness of the grouping of trade and other receivables based on shared credit risk characteristics and ageing periods and the credit loss provisioning methodology adopted by management;
- Tested, on a sample basis, the accuracy of ageing profile of trade and other receivables prepared by management by checking to sales invoices or other relevant documents;
- Tested, on a sample basis, the historical settlement by checking to the bank slips to assess the effectiveness of management's estimation process;
- Assessed the key assumptions and data used in management's estimate of expected credit loss by agreeing information to relevant supporting documents;
- Checked the mathematical accuracy of the calculation of impairment provision of trade receivables and other receivables;
- Challenged management's estimation of the risk of default and ECL rate referencing to the debtors' credit information including settlement records, their financial positions and ability of repayment and collaborated management's explanations with publicly available information and supporting evidence; and
- Evaluated the appropriateness of the forward looking information with reference to our industry knowledge and relevant published macroeconomic data.

We found the models, significant assumptions and data applied by management in the assessment of the ECL on trade and other receivables were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence regarding the carrying amounts of interest in an associate, amount due from an associate and certain other receivables as at 1 January 2021 and whether any adjustments to the respective share of loss of an associate, provision for expected credit loss on amount due from an associate and provision for expected credit losses on certain other receivables for the year ended 31 December 2021 were necessary. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kwok Chi Kan.

Linksfield CPA Limited
Certified Public Accountants

Hong Kong, 25 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	6	**352,407**	346,401
Cost of sales	9	**(239,637)**	(223,028)
Gross profit		**112,770**	123,373
Interest income		**13,577**	7,417
Other income	7	**21,767**	23,692
Other gains/(losses), net	8	**2,635**	(421)
Administrative expenses	9	**(71,559)**	(45,504)
Provision for expected credit losses on other receivables	24	**(234,171)**	(47,700)
Impairment loss on property, plant and equipment	16	**(40,657)**	—
Operating (loss)/profit		**(195,638)**	60,857
Finance costs	11	**(146,663)**	(140,271)
Share of losses of associates	18	**(148)**	(92,803)
Share of loss of a joint venture	19	**(154)**	(1,660)
Loss before income tax		**(342,603)**	(173,877)
Income tax expense	12	**(16,075)**	(30,096)
Loss for the year		**(358,678)**	(203,973)
Loss for the year attributable to:			
— the owners of the Company		**(368,557)**	(213,010)
— non-controlling interests		**9,879**	9,037
		(358,678)	(203,973)
Loss per share attributable to the owners of the Company (in RMB)			
Basic and diluted	13	**(0.186)**	(0.108)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Loss for the year		**(358,678)**	(203,973)
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations outside the People's Republic of China (the "**PRC**")		**23,073**	51,736
Item that may not be reclassified to profit or loss:			
Exchange difference arising on translation of financial statements of the Company		**(6,477)**	(16,256)
Change in fair value of financial assets at fair value through other comprehensive income	21	**(1,676)**	665
Other comprehensive income for the year, net of tax		**14,920**	36,145
Total comprehensive loss for the year		**(343,758)**	(167,828)
Total comprehensive loss for the year attributable to:			
— the owners of the Company		**(353,150)**	(177,058)
— non-controlling interests		**9,392**	9,230
		(343,758)	(167,828)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**1,063,660**	1,246,848
Right-of-use assets	17	**25,382**	9,610
Interests in associates	18	**2,614**	—
Interest in a joint venture	19	**—**	2,961
Financial assets at fair value through other comprehensive income	21	**6,489**	8,165
Financial assets at fair value through profit or loss	22	**5,225**	5,225
Prepayments and other receivables	24	**168,499**	155,381
		1,271,869	1,428,190
Current assets			
Inventories	23	**680**	618
Trade and other receivables	24	**719,475**	809,042
Financial assets at fair value through profit or loss	22	**1,688**	2,100
Cash and cash equivalents	25	**243,295**	858,837
		965,138	1,670,597
Total assets		**2,237,007**	3,098,787
EQUITY			
Equity attributable to the owners of the Company			
Share capital	27	**17,286**	17,286
Reserves	28	**55,236**	384,720
		72,522	402,006
Non-controlling interests		**208,666**	231,217
Total equity		**281,188**	633,223

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	17	**894**	—
Borrowings	31	**1,120,916**	1,386,070
Deferred income tax liabilities	26	**14,090**	19,194
Deferred income	32	**607**	—
		1,136,507	1,405,264
Current liabilities			
Trade and other payables	30	**230,270**	207,837
Borrowings	31	**582,801**	835,562
Lease liabilities	17	**1,199**	—
Current income tax liabilities		**4,962**	16,901
Deferred income	32	**80**	—
		819,312	1,060,300
Total liabilities		**1,955,819**	2,465,564
Total equity and liabilities		**2,237,007**	3,098,787

The consolidated financial statements on pages 88 to 177 were approved by the Board of Directors on 25 April 2022 and were signed on its behalf.

Zhang Zhixiang
Director

Ning Zhongzhi
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Statutory reserves	Translation reserve	Convertible bonds reserve	Fair value reserve	Share-based payment reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	15,677	1,454,336	75,528	(15,555)	17,047	901	—	(1,008,292)	539,642	250,711	790,353
Comprehensive income/(loss)											
(Loss)/profit for the year	—	—	—	—	—	—	—	(213,010)	(213,010)	9,037	(203,973)
Other comprehensive income											
Exchange difference arising on translation of foreign operations	—	—	—	35,480	—	—	—	—	35,480	—	35,480
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	472	—	—	472	193	665
Total comprehensive income/(loss) for the year	—	—	—	35,480	—	472	—	(213,010)	(177,058)	9,230	(167,828)
Transactions with owners											
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	(28,724)	(28,724)
Transfer to statutory reserves	—	—	9,958	—	—	—	—	(9,958)	—	—	—
Placing of shares	1,609	37,813	—	—	—	—	—	—	39,422	—	39,422
At 31 December 2020	17,286	1,492,149	85,486	19,925	17,047	1,373	—	(1,231,260)	402,006	231,217	633,223

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity shareholders of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserves *RMB'000*	Translation reserve *RMB'000*	Convertible bonds reserve *RMB'000*	Fair value reserve *RMB'000*	Share-based payment reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021	17,286	1,492,149	85,486	19,925	17,047	1,373	—	(1,231,260)	402,006	231,217	633,223
Comprehensive income/(loss)											
(Loss)/profit for the year	—	—	—	—	—	—	—	(368,557)	(368,557)	9,879	(358,678)
Other comprehensive income											
Exchange difference arising on translation of foreign operations	—	—	—	16,596	—	—	—	—	16,596	—	16,596
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	(1,189)	—	—	(1,189)	(487)	(1,676)
Total comprehensive income/(loss) for the year	—	—	—	16,596	—	(1,189)	—	(368,557)	(353,150)	9,392	(343,758)
Transactions with owners											
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	(31,943)	(31,943)
Transfer to statutory reserves	—	—	6,075	—	—	—	—	(6,075)	—	—	—
Issuance of share options *(Note 29(a))*	—	—	—	—	—	—	10,300	—	10,300	—	10,300
Issuance of non-listed warrants *(Note 29(b))*	—	—	—	—	—	—	13,366	—	13,366	—	13,366
At 31 December 2021	17,286	1,492,149	91,561	36,521	17,047	184	23,666	(1,605,892)	72,522	208,666	281,188

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	*33(a)*	**168,019**	199,759
The PRC corporate income tax paid		**(33,217)**	(16,262)
Net cash generated from operating activities		**134,802**	183,497
Cash flows from investing activities			
Payments for property, plant and equipment		**(29,369)**	(5,638)
Proceeds from disposal of a subsidiary		**—**	91
Settlement of payable for acquisitions of a subsidiary		**(5,199)**	—
Payments for investments		**(25,079)**	—
Increase in loan receivables		**(5,988)**	(9,067)
Interest received		**13,577**	7,417
Acquisition of a subsidiary	*35*	**(14,303)**	—
Net cash used in investing activities		**(66,361)**	(7,197)
Cash flows from financing activities			
Proceeds from new bank loans and other loans	*33(b)*	**50,000**	1,309,712
Proceeds from issue of warrants	*29(b)*	**4,801**	—
Proceeds from placing of shares		**—**	39,422
Repayment of notes payables	*33(b)*	**(68,504)**	(9,940)
Repayment of bank loans and other loans	*33(b)*	**(454,411)**	(654,225)
Repayment of bonds	*33(b)*	**(83)**	(893)
Principal elements of lease payments	*33(b)*	**(12,425)**	(1,482)
Interest elements of lease payments	*33(b)*	**(41)**	(35)
Other borrowing costs paid	*33(b)*	**(136,908)**	(83,591)
Dividend paid to non-controlling interests		**(66,134)**	(18,903)
Net cash (used in)/generated from financing activities		**(683,705)**	580,065
Net (decrease)/increase in cash and cash equivalents		**(615,264)**	756,365
Cash and cash equivalents at the beginning of the year		**858,837**	103,456
Effect of foreign exchange rate changes		**(278)**	(984)
Cash and cash equivalents at the end of the year	*25*	**243,295**	858,837

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

China Ruifeng Renewable Energy Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 23 June 2005 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

The Company's registered office is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1–1108, Cayman Islands. The principal place of business of the Company is Room 1002, 10/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 June 2006. The Company and its subsidiaries are together referred to as the Group hereinafter.

The Company is an investment holding company of the Group. The Group is principally engaged in wind farm operations.

These consolidated financial statements are presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income, which are carried at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 January 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform (Amendments)
Amendments to HKFRS 16	Covid-19-Related Rent concessions (Amendments)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

The following new standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual Improvements 2018–2020 Cycle (Amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments (Amendments)	1 January 2022
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 — Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1	Classification of Liabilities as Current or Non-Current (Amendments)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) ***New standards and interpretations not yet adopted*** *(continued)*

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards, amendments to existing standards interpretations and accounting guideline when they become effective.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of pofit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired entity,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, who makes strategic decisions.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the presentation currency of the Group. The functional currency of the Company is Hong Kong dollars ("**HK$**").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

	Useful lives	Residual value
Buildings	18 to 25 years	5%
Generators and related equipment	5 to 25 years	5%
Plant and machinery	5 to 10 years	5% to 10%
Equipment, furniture and fixture	3 to 10 years	5% to 10%
Motor vehicles	5 to 8 years	5% to 10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount in accordance with the policy described in Note 2.10.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the consolidated statement of profit or loss.

2.8 Inventories

Finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.9 Equity accounting

(i) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Equity accounting *(continued)*

(ii) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

(iv) Changes in ownership interests

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Investments and other financial assets *(continued)*

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses), net" in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses (the "**ECL**") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Group or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax *(continued)*

(i) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax *(continued)*

(iii) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2.18 Employee benefits

(i) Retirement benefit costs

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the MPF Scheme.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on certain percentage of the wages for the year of those employees in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group. Contributions to these retirement benefits schemes are charged to the consolidated statement of profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits *(continued)*

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the consolidated statement of financial position date.

(iii) Share-based compensation

The Group operates an employee share options scheme. Information relating to the employee share options scheme is set out in Note 29. The fair value of the share options granted under the share options scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the share options granted:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit and loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(iv) Termination benefit

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Borrowings *(continued)*

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.21 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.22 Compound financial instruments

The component parts of the convertible bonds are classified separately as financial liability, conversion option and conversion-veto option in accordance with the substance of the contractual arrangement and the definitions of a financial liability and derivative. A conversion option and convertible-veto option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group’s own equity instruments are derivatives.

At the date of issue, the liability, conversion option and conversion-veto option are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option and conversion-veto option are measured at fair value with changes in fair value recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Compound financial instruments *(continued)*

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2.23 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligations in the contract;

(v) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group considers all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Revenue recognition *(continued)*

Sales of electricity and tariff adjustments

Revenue from sales of electricity and tariff adjustment is recognised at a point in time when electricity is generated, transmitted and delivered to the offtakers. Revenue from these sales is recognised based on the price specified in the power purchase agreements. The electricity generation will be confirmed with the offtakers regularly, therefore, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Revenue from sales of electricity is based on the respective on-grid electricity rates. Tariff adjustment represents subsidies received and receivable pursuant to prevailing government policy in respect of the Group's renewable energy projects. Tariff adjustment is recognised at a point in time at fair value where there is a reasonable assurance that the additional subsidies will be received and the Group will comply with all attached conditions, if any.

Revenue from tariff adjustment is based on the difference between the feed-in-tariff regime implemented by the PRC government for the provision of subsidies to the wind power plant operators in the PRC and the revenue from sales of electricity.

Incineration of medical wastage

Revenue from incineration of medical wastage is recognised over the period that services are rendered and the Group's performance provide all the benefits received and consumed simultaneously by the customers.

Interest income

Interest income is recognised using the effective interest method, on a time-proportion basis.

Rental income from operating leases

Rental income receivable under operating leases is recognised in consolidated statement of profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes any adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

Payments associated with short-term leases and all leases of low-valued assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.26 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the consolidated financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as a liability at the end of the reporting period.

2.27 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants are recognised as "other income" over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.28 Value-added tax refund

Value-added tax refund is recognised in "other income" in the consolidated statement of profit or loss when there is a reasonable assurance that the refund will be received which generally occurs upon the receipt of the approval of tax refund from the local tax bureau.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to market risk (including price risk, foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the analysis, evaluation, acceptance and monitoring of such risks which are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effect on the Group's financial performance.

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of the Group's financial assets at fair value through profit or loss will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all instruments in the market.

The Group held listed equity investments, which can be affected by fluctuations in share price and is exposed to other price risk on share price of the listed investments.

If the stock price of the listed investment had been 5% (2020: 5%) higher/lower, pre-tax loss for the year would have decreased/increased by approximately RMB84,000 (2020: RMB105,000).

For unlisted equity investment, in arriving at the fair value of the financial assets at fair value through profit or loss and at fair value through other comprehensive income, the Group may use valuation techniques which require the estimation of key variables. Details of the valuation method and the sensitivity analysis for the possible impact given a reasonable shift in the key variable are set out in Note 3(d).

(ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group mainly operates in Hong Kong and the PRC. The majority of the transactions at each location are settled in the respective local currencies, namely HK$ and RMB. The directors are of the opinion that the Group does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. Accordingly, no sensitivity analysis is performed.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

(ii) *Foreign exchange risk (continued)*

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure as management considers its exposure is not significant.

(iii) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises primarily from the Group's bank deposits and borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk.

If interest rate of the variable-rate borrowings had been 100 basis points higher/lower and all other variable were held constant, increase/decrease the Group's loss after taxation by approximately RMB8,804,000 (2020: increase/decrease the Group's loss after taxation by approximately RMB11,802,000).

(b) ***Credit risk***

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from cash at banks and trade and other receivables.

Impairment of Financial Assets

The Group has three types of assets that are subject to the ECL model:

— Cash at banks;

— Trade receivables; and

— Other receivables.

(i) Cash at banks

The cash at banks of the Group are mainly placed with state-owned financial institutions and reputable banks. Therefore, the ECL rate of cash at bank is assessed to be immaterial and no provision was made as at 31 December 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk* *(continued)*

Impairment of Financial Assets (continued)

(ii) Trade receivables

As at 31 December 2021 and 2020, the Group has concentration of credit risk as 99% and 99%, respectively, of its trade receivables were due from the Group's largest customers, which were mainly state-owned enterprises.

The trade receivables mainly represent receivables from the provincial power grid company. The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance for trade receivables on a collective group basis based on different credit risk characteristics and the days past due. The management assessed the ECL based on historical credit loss experience, adjusted for factors that are specific to the debtors, historical settlement records, the general economic conditions, the existing market conditions and forward looking information.

	Current	Within 90 days past due	More than three months but within one year	More than one year	Total
At 31 December 2021					
Weighted average expected loss rate	0%	0%	0%	2%	
Receivable amount *(RMB'000)*	84,648	10,583	62,848	189,080	347,159
Loss allowance *(RMB'000)*	—	—	—	(2,030)	(2,030)
	84,648	10,583	62,848	187,050	345,129
At 31 December 2020					
Weighted average expected loss rate	**0%**	**0%**	**0%**	**2%**	
Receivable amount *(RMB'000)*	**81,213**	**12,124**	**55,585**	**126,843**	**275,765**
Loss allowance *(RMB'000)*	**—**	**—**	**—**	**(2,030)**	**(2,030)**
	81,213	**12,124**	**55,585**	**124,813**	**273,735**

The management of the Company are of the opinion that the trade receivables are fully recoverable considering that there is no bad debt experience with the grid company in the past and the tariff adjustment is funded by the PRC government authorities.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

Impairment of Financial Assets (continued)

(ii) Trade receivables *(continued)*

The Group have no significant credit risk with any of this power grid company as the Group and its subsidiaries maintain long-term and stable business relationships with this company. Given the track record of settlements of trade receivables from sales of electricity and the collection of tariff adjustment are well supported by the government policy, the management are of the opinion that the trade receivables will be settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance and the risk of default by the these customers is not significant and does not expect any losses from non-performance by the customers. Therefore, ECL rate of trade receivables are assessed to be close to zero and no provision was made as at 31 December 2021 (2020: Nil).

(iii) Other receivables

Other receivables include other receivables, loan receivables, amount due from an associate and amount due from a non-controlling interest. In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group has applied the general approach in HKFRS 9 to measure the loss allowance for other receivables. The Group assessed the ECL based on estimation about risk of default and expected loss rates, and judgment was used in making these assumptions and selecting the inputs to the impairment calculation, including the credit loss experience, historical settlement records, internal credit ratings, financial positions, relationships with debtors and other factors that impacted their ability of repayment. The management also took into account of existing market conditions and forward looking information.

- Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECLs is measured on 12-month basis.

- If a significant increase in credit risk (specifically, when the debtor is more than 30 days past due on its contractual payments) since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The ECLs loss is measured on lifetime basis.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

Impairment of Financial Assets (continued)

(iii) Other receivables *(continued)*

- If the financial instrument is credit-impaired (specifically, when there is evidence indicating the debtor is in severe financial difficulty or it is probable that the debtor will enter bankruptcy or other financial reorganisation), the financial instrument is then moved to "Stage 3". The ECLs is measured on lifetime basis.

The receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2021, the balances of loss allowance in respect of these individually assessed receivables as follows:

	Other receivables *RMB'000*	Loan receivables *RMB'000*	Amount due from an associate *RMB'000*	Amount due from a non-controlling interest *RMB'000*	Total *RMB'000*
As at 1 January 2020	8,274	9,000	—	—	17,274
Increase in the allowance recognised in consolidated statement of profit or loss during the year	10,022	8,491	29,187	—	47,700
Exchange realignment	(443)	(71)	—	—	(514)
As at 31 December 2020 and 1 January 2021	**17,853**	**17,420**	**29,187**	**—**	**64,460**
Increase in the allowance recognised in consolidated statement of profit or loss during the year	**174,151**	**60,020**	**—**	**—**	**234,171**
Write off	**(4,360)**	**—**	**—**	**—**	**(4,360)**
Exchange realignment	**(206)**	**(9)**	**—**	**—**	**(215)**
As at 31 December 2021	**187,438**	**77,431**	**29,187**	**—**	**294,056**

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 to 2 years *RMB'000*	Between 2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Total carrying amount *RMB'000*
As at 31 December 2021						
Trade and other payables	**222,245**	**—**	**—**	**—**	**222,245**	**222,245**
Bank loans, secured	**21,318**	**—**	**—**	**—**	**21,318**	**20,000**
Bonds	**80,821**	**12,088**	**66,395**	**—**	**159,304**	**144,075**
Notes payables	**63,809**	**—**	**—**	**—**	**63,809**	**63,809**
Convertible bonds	**255,743**	**—**	**—**	**—**	**255,743**	**255,743**
Other loans	**243,774**	**196,586**	**547,070**	**619,048**	**1,606,478**	**1,220,090**
Lease liabilities	**1,284**	**914**	**—**	**—**	**2,198**	**2,093**
	888,994	**209,588**	**613,465**	**619,048**	**2,331,095**	**1,928,055**
As at 31 December 2020						
Trade and other payables	201,717	—	—	—	201,717	201,717
Bank loans, secured	70,098	36,781	129,201	—	236,080	210,000
Bonds	65,811	77,555	20,437	—	163,803	144,136
Notes payables	135,394	—	—	—	135,394	135,394
Convertible bonds	306,490	—	—	—	306,490	297,365
Other loans	362,912	183,378	531,239	754,640	1,832,169	1,434,737
	1,142,422	297,714	680,877	754,640	2,875,653	2,423,349

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management regularly reviews and manages the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. During the year ended 31 December 2021, the Group's strategy remained unchanged from 2020.

The Group monitors its capital structure by reviewing its net debt-to-equity ratio and cash flow requirements, taking into account its future financial obligations and commitments. The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021	2020
	RMB'000	*RMB'000*
Borrowings:		
Current portion	**582,801**	835,562
Non-current portion	**1,120,916**	1,386,070
Total borrowings *(Note 31)*	**1,703,717**	2,221,632
Less: cash and cash equivalents *(Note 25)*	**(243,295)**	(858,837)
Net debt	**1,460,422**	1,362,795
Total equity	**281,188**	633,223
Gearing ratio	**519%**	215%

The gearing ratio increased from approximately 215% as at 31 December 2020 to approximately 519% as at 31 December 2021 as a result of the decrease in total equity.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2021 and 2020.

As at 31 December 2021	**Level 1** ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
Financial assets at fair value through other comprehensive income:				
— unlisted investment	**—**	**—**	**6,489**	**6,489**
Financial assets at fair value through profit or loss:				
— listed investment	**1,688**	**—**	**—**	**1,688**
— unlisted investment	**—**	**—**	**5,225**	**5,225**
	1,688	**—**	**11,714**	**13,402**

As at 31 December 2020	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Financial assets at fair value through other comprehensive income:				
— unlisted investment	—	—	8,165	8,165
Financial assets at fair value through profit or loss:				
— listed investment	2,100	—	—	2,100
— unlisted investment	—	—	5,225	5,225
	2,100	**—**	**13,390**	**15,490**

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

There was no transfer of financial assets and liabilities between the fair value hierarchy classifications during the year ended 31 December 2021 (2020: same).

The carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values. The fair value for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

The Group's other assets and liabilities are carried at amortised cost, and their carrying values are a reasonable approximation of their fair values.

Reconciliation for financial instruments carried at fair value based on significant unobservable input (level 3) are as follows:

Financial assets at fair value through other comprehensive income

	2021	2020
	RMB'000	*RMB'000*
Opening balance	**8,165**	7,500
Fair value changes recognised in other comprehensive income	**(1,676)**	665
Closing balance	**6,489**	8,165
Unrealised (loss)/gain recognised in the consolidated statement of other comprehensive income attributable to balance at the end of the reporting period	**(1,676)**	665

Financial assets at fair value through profit or loss

	2021	2020
	RMB'000	*RMB'000*
Opening balance	**5,225**	5,225
Fair value changes recognised in profit or loss	**—**	—
Closing balance	**5,225**	5,225
Unrealised gain recognised in the consolidated statement of profit or loss attributable to balance at the end of the reporting period	**—**	—

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The table below sets out information about significant inputs used at year end in measuring financial instruments categorised as level 3 in the fair value hierarchy.

As at 31 December 2021

	Exposure RMB'000	Valuation techniques	Significant unobservable input	Sensitivity on estimate: Estimate	Sensitivity on estimate: Impact RMB'000
Unlisted equity investment at fair value through other comprehensive income	**6,489**	**Market approach**	**Earnings before interest, taxes, depreciation, and amortisation ("EBITDA")**	**+5%/-5%**	**877/(877)**
Unlisted equity investment at fair value through profit or loss	**5,225**	**Market approach**	**Lack of marketability discount of 35%**	**+5%/-5%**	**(631)/631**

As at 31 December 2020

	Exposure RMB'000	Valuation techniques	Significant unobservable input	Sensitivity on estimate: Estimate	Sensitivity on estimate: Impact RMB'000
Unlisted equity investment at fair value through other comprehensive income	8,165	Market approach	EBITDA	+5%/-5%	951/(951)
Unlisted equity investment at fair value through profit or loss	5,225	Asset approach	Net assets	+5%/-5%	239/(239)

3.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying values:

- Trade receivables
- Financial assets at amortised cost (including other receivables)
- Cash and cash equivalents
- Trade and other payables
- Borrowings
- Lease liabilities

3 FINANCIAL RISK MANAGEMENT (CONTINUED) *(Continued)*

3.5 Offsetting financial assets and financial liabilities

No material financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021 and 2020.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amount of a cash-generating unit ("**CGU**") is determined based on the higher of fair value less cost of disposal ("**FVLCD**") and value-in-use ("**VIU**") models. The methodologies are based upon a number of key estimates and other information, both internal and external, including (i) the revenue growth rate; (ii) the terminal growth rates; (iii) pre-tax discount rate in VIU model; and (iv) estimation of market values of certain assets in FVLCD, which are derived from market research. These calculations require the use of estimates. Changing the assumptions selected by the Group to determine the level, if any, of impairment, including the pre-tax discount rate or the growth rate assumptions, could significantly affect the Group's reported financial position and results of operations. The key assumptions used are set out in Note 16.

(b) Impairment of receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and the ECL rates (Note 3.1(b)). The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the date of the statement of financial position.

(c) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(d) Deferred tax

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made. Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 SEGMENT INFORMATION

The Group's chief operating decision maker, which has been identified as the Board of Directors, consider the segment from a business perspective and monitor the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment.

During the year ended 31 December 2021, the Group had one (2020: one) reportable operating segment, which was using wind turbine blades to generate electricity power in the PRC. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

Geographic Information

(a) Revenue from external customers

The Group's revenue from external customers by geographical area, which is determined by the country/region where the services were provided. The Group's revenue are all generated from the PRC.

(b) Non-current assets

The Group's non-current assets other than prepayments and other receivables, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss by geographic area is as follows:

	2021	2020
	RMB'000	*RMB'000*
Hong Kong	**3,551**	2,968
The PRC	**1,088,105**	1,256,451
	1,091,656	1,259,419

5 SEGMENT INFORMATION *(continued)*

Key Customers

For the year ended 31 December 2021, there was one customer (2020: one) which individually contributed over 10% of the Group's total revenue, the revenue contributed from this customer was as follows:

	2021	2020
	RMB'000	*RMB'000*
Customer A	**349,995**	346,401

6 REVENUE

Revenue from contracts with customers within the scope of HKFRS15, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Recognised at a point in time:		
— Sales of electricity	**258,591**	256,301
— Tariff adjustment	**96,179**	94,997
— Business tax and surcharges	**(4,775)**	(4,897)
	349,995	346,401
Recognised over time:		
— Incineration of medical wastage	**2,419**	—
— Business tax and surcharges	**(7)**	—
	2,412	—
	352,407	346,401

Revenue mainly represents the wind power electricity sales to local grid company in the PRC for the years ended 31 December 2021 and 2020.

6 REVENUE *(continued)*

For sales of electricity, the Group generally entered into power purchase agreements with local grid company which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer. Generally, the receivables are due within 30 days from the date of billing, except for the tariff adjustment. The collection of such tariff adjustment is subject to the allocation of funds by relevant government authorities to local grid company.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the wind power companies.

Tariff adjustment is recognised as revenue and due from grid company in the PRC in accordance with the relevant power purchase agreements.

7 OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Government subsidy income related to value-added tax refund	**19,373**	20,314
Other government subsidy income	**64**	631
Rental income from operating leases	**2,301**	2,363
Deferred income	**26**	—
Others	**3**	384
	21,767	23,692

8 OTHER GAINS/(LOSSES), NET

	2021	2020
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary	**—**	91
Fair value loss on financial assets at fair value through profit or loss *(Note 22)*	**(380)**	(513)
Net foreign exchange gains	**1**	1
Waiver of other loans interest payables	**2,517**	—
Bargain purchase arising from business acquisition *(Note 35)*	**542**	—
Loss on deemed disposal of interest in a joint venture *(Note 19)*	**(45)**	—
	2,635	(421)

9 EXPENSES BY NATURE

	2021 **RMB'000**	2020 RMB'000
Material and subcontractor costs		
Auditor's remuneration		
— Audit services	**1,142**	1,104
— Non-audit services	**148**	166
Depreciation of property, plant and equipment *(Note 16)*	**155,953**	154,846
Depreciation of right-of-use assets *(Note 17)*	**1,355**	1,955
Expenses relating to short-term leases *(Note 17)*	**—**	260
Loss relating to termination of leases *(Note 17)*	**—**	168
Employee benefit costs, including directors' emoluments *(Note 10)*	**50,503**	39,152
Legal and professional fees	**14,011**	7,740
Repair and maintenance expenses	**44,608**	37,834
Consumable expenses	**23,220**	14,558
Share-based payments arising from the issuance of non-listed warrants *(Note 29(b))*	**8,565**	—
Others	**11,691**	10,749
Total cost of sales and administrative expenses	**311,196**	268,532

10 EMPLOYEE BENEFIT COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2021 **RMB'000**	2020 RMB'000
Salaries, wages and other benefits	**34,919**	35,680
Contribution to defined contribution plans	**5,284**	3,472
Share-based payments expenses *(Note 29(a))*	**10,300**	—
	50,503	39,152

10 EMPLOYEE BENEFIT COSTS, INCLUDING DIRECTORS' EMOLUMENTS *(continued)*

(a) Benefits and interest of directors

(i) Directors' emoluments

The remuneration of directors for each of the years ended 31 December 2021 and 2020 are set out below:

	Fees *RMB'000*	Salaries, allowances, and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Employer's contribution to defined contribution plans *RMB'000*	Share based payment expenses *RMB'000*	Total *RMB'000*
For the year ended 31 December 2021						
Executive directors						
Mr. Zhang Zhixiang ("**Mr. Zhang**")	**—**	**2,280**	**660**	**15**	**1,128**	**4,083**
Mr. Ning Zhongzhi	**—**	**823**	**—**	**—**	**1,128**	**1,951**
Mr. Li Tian Hai	**—**	**996**	**—**	**15**	**458**	**1,469**
Mr. Peng Ziwei	**—**	**598**	**—**	**15**	**458**	**1,071**
Independent non-executive directors						
Mr. Jiang Senlin	**125**	**1**	**—**	**—**	**298**	**424**
Mr. Qu Weidong	**125**	**1**	**—**	**—**	**298**	**424**
Ms. Hu Xiaolin	**125**	**1**	**—**	**—**	**298**	**424**
	375	**4,700**	**660**	**45**	**4,066**	**9,846**
For the year ended 31 December 2020						
Executive directors						
Mr. Zhang	—	2,357	660	16	—	3,033
Mr. Ning Zhongzhi	—	783	40	—	—	823
Mr. Li Tian Hai	—	1,071	—	16	—	1,087
Mr. Peng Ziwei	—	643	—	16	—	659
Independent non-executive directors						
Mr. Jiang Senlin	134	—	—	—	—	134
Mr. Qu Weidong	134	—	—	—	—	134
Ms. Hu Xiaolin	134	—	—	—	—	134
	402	4,854	700	48	—	6,004

10 EMPLOYEE BENEFIT COSTS, INCLUDING DIRECTORS' EMOLUMENTS *(continued)*

(a) Benefits and interest of directors *(continued)*

(i) Directors' emoluments *(continued)*

The remunerations shown above represent remunerations received from the Company and subsidiaries of the Company by these directors in their capacity as employees to the Company and no directors waived any emolument during the year ended 31 December 2021 (2020: Nil).

No emoluments were paid by the subsidiaries of the Company to the directors as an inducement to join the subsidiaries of the Company, or as compensation for loss of office during the year ended 31 December 2021 (2020: Nil).

(ii) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the year ended 31 December 2021 (2020: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 December 2021 (2020: Nil).

(iii) Consideration provided to third parties for making available directors' services

The Company did not pay consideration to any third parties for making available directors' services for the year ended 31 December 2021 (2020: Nil).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2021, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2020: Nil).

(v) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the Note 34, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of the subsidiaries of the Company was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021 (2020: Nil).

10 EMPLOYEE BENEFIT COSTS, INCLUDING DIRECTORS' EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three directors respectively, whose emoluments were reflected in the analysis presented in Note 10(a) during the year ended 31 December 2021 (2020: two). The emoluments paid/payable to the remaining include two individuals (2020: three) are as follows:

	2021	2020
	RMB'000	*RMB'000*
Wages and salaries	**2,800**	3,593
Contribution to defined contribution plans	**158**	167
Share-based payment expenses	**458**	—
	3,416	3,760

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument band		
Nil to HK$1,000,000	**—**	1
HK$1,000,001–HK$1,500,000	**1**	2
HK$1,500,001–HK$2,000,000	**1**	—
	2	3

During the year ended 31 December 2021, no emoluments have been paid by the Group to the directors or the five highest paid individuals mentioned above as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).

11 FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest expense on bank loans and other loans	**74,753**	62,174
Interest expense on bonds	**15,203**	15,957
Interest expense on convertible bonds *(Note 31)*	**9,056**	40,604
Default interest expense on convertible bonds	**33,393**	—
Interest expense on notes payables	**14,217**	21,501
Interest expense on lease liabilities *(Note 17)*	**41**	35
	146,663	140,271

12 INCOME TAX EXPENSE

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong during the year (2020: Nil).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands (2020: Nil).

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

Except for mentioned as above, the applicable income tax rate to the Group's PRC subsidiaries is 25% in 2021 and 2020.

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

12 INCOME TAX EXPENSE *(continued)*

An analysis of the income tax expense is as follows:

	2021	2020
	RMB'000	*RMB'000*
PRC Corporate income tax		
Current year	**20,249**	29,544
	20,249	29,544
Withholding tax	**832**	1,031
Deferred income tax *(Note 26)*	**(5,006)**	(479)
	16,075	30,096

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using the tax rate of the PRC as follows:

	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(342,603)**	(173,877)
National tax on loss before taxation, calculation at the rates applicable to profits in PRC of 25%	**(85,651)**	(43,469)
Tax effect of different tax jurisdictions	**7,031**	17,517
Tax effect of non-taxable income	**(320)**	(1,972)
Tax effect of non-deductible expenses	**87,994**	30,524
Tax effect of tax losses not recognised	**6,139**	10,879
Tax effect on share of results of associates and a joint venture	**50**	15,586
Withholding tax	**832**	1,031
	16,075	30,096

13 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Loss attributable to the owners of the Company *(RMB'000)*	**(368,557)**	(213,010)
Weighted average number of ordinary shares in issue *(in thousands)*	**1,979,141**	1,978,157
Basic loss per share *(RMB)*	**(0.186)**	(0.108)

(b) Diluted loss per share

Diluted loss per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the year ended 31 December 2021, the Group has three (2020: one) categories of potential ordinary shares: convertible bonds, share options and warrants (2020: convertible bonds).

The convertible bonds were assumed to have been converted into ordinary shares, and the net loss has been adjusted to eliminate the interest expenses.

For the share options and warrants, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options/warrants.

Convertible bonds, share options and warrants (2020: convertible bonds) were not assumed to be exercised as they would have an anti-dilutive impact to the loss attributable to the owners of the Company for the years ended 31 December 2021 and 2020. Accordingly, diluted loss per share for the years ended 31 December 2021 and 2020 are same as that of basic loss per share.

14 DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2021 (2020: Nil).

15 SUBSIDIARIES

Details of principal subsidiaries at 31 December 2021 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of subsidiaries	Place/country of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/registered capital	Equity interest attributable interest held by Group 2021	2020	Principal activities
Directly held by the Company:						
City Alliance Management Limited	British Virgin Islands ("**BVI**")	Hong Kong ("**HK**")	US$1	**100%**	100%	Investment holding
Power Full Group Holdings Limited 富力集團控股有限公司	BVI	HK	US$2	**100%**	100%	Investment holding
Leading Win Resources Limited 領達資源有限公司	BVI	HK	US$1	**100%**	100%	Investment holding
Fortune View Alliance Limited	BVI	HK	US$1	**100%**	100%	Investment holding
Hong Song Holdings Limited	BVI	HK	US$1	**100%**	100%	Investment holding
Sino Renewable Energy Holdings Company Limited	BVI	HK	US$1	**100%**	100%	Investment holding
Tycoon Gold Limited 享金有限公司	BVI	HK	US$1	**100%**	100%	Inactive

15 SUBSIDIARIES *(continued)*

Name of subsidiaries	Place/country of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/registered capital	Equity interest attributable interest held by Group		Principal activities
				2021	2020	
Indirectly held by the Company:						
Ferson Limited 緯建有限公司	HK	HK	HK$1	**100%**	100%	Management and administration services
Conway Holdings Limited 康威集團有限公司	HK	HK	HK$1	**100%**	100%	Investment holding
Beijing Chengrui Xianghai Renewable Energy Technology Co., Ltd.[1] 北京承瑞翔海新能源科技有限公司	The PRC	The PRC	Registered and paid up capital RMB100,000	**100%**	100%	Investment holding
Chengde Ruifeng Renewable Energy Windpower Equipment Co. Ltd. [2^] 承德瑞風新能源風電設備有限公司	The PRC	The PRC	Registered and paid up capital RMB30,000,000	**100%**	100%	Production of wind turbine blades and components
Chengde Beichen High New Technology Co., Ltd. [2^] 承德北辰高新科技有限公司	The PRC	The PRC	Registered and paid up capital RMB46,900,000	**100%**	100%	Investment holding
On Win Corporation Limited 進盈有限公司^	HK	HK	HK$1	**100%**	100%	Investment holding
Hebei Hongsong Renewable Energy Investment Co., Ltd. [2^] 河北紅松新能源投資有限公司	The PRC	The PRC	Registered and paid up capital RMB171,720,000	**79.06%**	79.06%	Investment holding
Hebei Hongsong Wind Power Co., Ltd.[3^] 河北紅松風力發電股份有限公司	The PRC	The PRC	Registered capital RMB910,000,000 and paid up capital RMB651,947,000	**86.55%**	86.55%	Wind farm operation
Chengde Hongsong Yun Wei Electrical and Equipment Installation Co., Ltd[2] 承德紅松運維機電設備安裝有限公司	The PRC	The PRC	Registered and paid up capital RMB3,000,000	**79.06%**	79.06%	Electrical and mechanical equipment maintenance

15 SUBSIDIARIES *(continued)*

Name of subsidiaries	Place/country of incorporation/establishment	Place of operations	Particulars of issued and fully paid share capital/registered capital	Equity interest attributable interest held by Group 2021	2020	Principal activities
Indirectly held by the Company:						
Redwood Group Limited 紅松集團有限公司	HK	HK	HK$1	**100%**	100%	Investment holding
承德嘉恒醫療廢棄物處置有限公司[2]	The PRC	The PRC	Registered capital RMB15,000,000 and paid up capital RMB13,404,600	**100%**	—	Incineration of medical wastage
Yangzhou Qingzi Hydrogen Energy Technology Co. Ltd[2] 揚州氫子氫能源科技有限公司	The PRC	The PRC	Registered capital RMB28,000,000 and paid up RMB19,522,950	**71.4%**	—	Hydrogen energy business
Asia Renewable Energy Company Limited 亞洲新生能源有限公司	HK	HK	HK$1	**100%**	100%	Investment holding
World Business Limited 環宇國際商務有限公司	HK	HK	HK$10,000	**100%**	100%	Investment holding
Zhuhai Dong Fang Renewable Energy Limited[1] 珠海東方新生能源有限公司	The PRC	The PRC	Registered and paid up capital RMB100,000	**100%**	100%	Investment holding
承德紅松風力發電資詢服務有限公司[2]	The PRC	The PRC	Registered and paid up capital US$20,000	**100%**	100%	Investment holding
承德紅松新能源技術服務有限公司[1]	The PRC	The PRC	Registered and paid up capital RMB30,000	**100%**	100%	Investment holding
北京銀風滙利投資有限公司[2]	The PRC	The PRC	Registered capital RMB360,000,000 and paid up RMB147,000,000	**100%**	100%	Investment holding
包頭市銀風滙利新能源投資有限公司[2]	The PRC	The PRC	Registered and paid up capital RMB123,000,000	**100%**	100%	Wind farm operation

15 SUBSIDIARIES *(continued)*

Name of subsidiaries	Place/country of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/registered capital	Equity interest attributable interest held by Group		Principal activities
				2021	2020	
Indirectly held by the Company:						
北京紅松創投科技發展有限公司[2]	The PRC	The PRC	Registered capital RMB9,000,000 and paid up RMB 7,000,000	**100%**	100%	Investment holding
Leading Win Credit Limited 領達信貸有限公司	HK	HK	HK$10,000	**100%**	100%	Money lending business
紅松河北生物科技股份有限公司[2]	The PRC	The PRC	Registered capital RMB10,000,000 and paid up RMB5,000,000	**100%**	100%	Production of healthy products

[1] wholly-owned foreign enterprise

[2] private limited liability company

[3] sino-foreign equity joint venture company

^ At 31 December 2021 and 2020, the issued shares/registered capital of these companies were pledged under shares charges to secured certain bank and other loans of the Group (Note 31)

15 SUBSIDIARIES *(continued)*

The following table lists out the information relating to Hebei Hongsong Wind Power Co., Ltd, a subsidiary of the Group which has material non-controlling interests ("**NCIs**"). The summarised financial information for the years ended 31 December 2021 and 2020 presented below represents the post-acquisition amounts before any inter- company elimination:

	At 31 December 2021	At 31 December 2020
Proportion of registered capital held by the Group	**86.55%**	86.55%
Proportion of ownership interests held by the Group	**70.97%**	70.97%
Proportion of registered capital held by NCIs	**13.45%**	13.45%
Proportion of ownership interests held by NCIs	**29.03%**	29.03%

	2021 *RMB'000*	2020 *RMB'000*
Current assets	**1,167,571**	1,480,662
Non-current assets	**1,017,491**	1,190,263
Current liabilities	**(152,118)**	(350,171)
Non-current liabilities	**(1,063,311)**	(1,309,810)
Net assets	**969,633**	1,010,944
Carrying amount of NCIs	**256,338**	268,332
Revenue	**349,995**	346,401
Profit for the year	**49,991**	79,821
Total comprehensive income	**48,315**	80,486
Total comprehensive income allocated to NCIs	**14,028**	23,368
Dividend to NCIs	**(26,022)**	(22,714)
Cash flows (used in)/generated from operating activities	**(295,315)**	150,270
Cash flows (used in)/generated from investing activities	**(15)**	20,985
Cash flows (used in)/generated from financing activities	**(352,173)**	590,279

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Generators and related equipment	Plant and machinery	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020							
Cost	52,180	2,311,790	5,125	11,713	3,651	98,569	2,483,028
Accumulated depreciation	(17,947)	(1,054,665)	(4,815)	(7,210)	(2,273)	—	(1,086,910)
Net book amount	34,233	1,257,125	310	4,503	1,378	98,569	1,396,118
Year ended 31 December 2020							
Opening net book amount	34,233	1,257,125	310	4,503	1,378	98,569	1,396,118
Additions	—	4,867	—	646	63	—	5,576
Depreciation	(2,555)	(151,119)	(21)	(805)	(346)	—	(154,846)
Closing net book amount	31,678	1,110,873	289	4,344	1,095	98,569	1,246,848
At 31 December 2020							
Cost	52,180	2,316,657	5,125	12,293	3,687	98,569	2,488,511
Accumulated depreciation	(20,502)	(1,205,784)	(4,836)	(7,949)	(2,592)	—	(1,241,663)
Net book amount	31,678	1,110,873	289	4,344	1,095	98,569	1,246,848
Year ended 31 December 2021							
Opening net book amount	**31,678**	**1,110,873**	**289**	**4,344**	**1,095**	**98,569**	**1,246,848**
Additions	**—**	**—**	**1,981**	**238**	**854**	**—**	**3,073**
Business combination *(Note 35)*	**—**	**—**	**10,344**	**2**	**3**	**—**	**10,349**
Depreciation	**(2,555)**	**(151,067)**	**(299)**	**(913)**	**(1,119)**	**—**	**(155,953)**
Impairment loss	**—**	**—**	**—**	**—**	**—**	**(40,657)**	**(40,657)**
Closing net book amount	**29,123**	**959,806**	**12,315**	**3,671**	**833**	**57,912**	**1,063,660**
At 31 December 2021							
Cost	**52,180**	**2,316,657**	**18,523**	**12,500**	**4,532**	**98,569**	**2,502,961**
Accumulated depreciation and impairment	**(23,057)**	**(1,356,851)**	**(6,208)**	**(8,829)**	**(3,699)**	**(40,657)**	**(1,439,301)**
Net book amount	**29,123**	**959,806**	**12,315**	**3,671**	**833**	**57,912**	**1,063,660**

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expense of RMB930,000 (2020: RMB181,000) has been charged in administrative expenses and depreciation expense of RMB155,023,000 (2020: RMB154,665,000) has been charged in cost of sales.

As at 31 December 2021, the Group has pledged its certain property, plant and equipment with carrying values of approximately RMB904,371,000 (2020: approximately RMB1,043,926,000) to secure its bank and other loans (Note 31).

The impairment loss relates to the construction in progress of a wind farm project in Baotou City of Inner Mongolia that was suspended since the supplier, Suzlon Energy (Tianjin) Limited* (蘇司蘭能源(天津)有限公司) ("**Suzlon**"), was in financial difficulties and failed to deliver certain machineries and equipment for the construction project of a wind farm in Baotou City of Inner Mongolia. Management considered that there was an impairment indicator and conducted impairment assessment on the recoverable amounts of this CGU of the Group by determining the recoverable amount based on the higher of FVLCD derived from market search and VIU calculation using the discounted cash flows forecast (the "**DCF**") approved by the management with the assistance of an independent valuer. The pre-tax discount rate adopted was 10.6% per annum which reflects the specific risks relating to the Group. Key assumptions adopted and judgment exercise in the preparation of the DCF included the revenue growth rates, the terminal growth rates and the pre-tax discount rate. Based on the results of management's impairment assessment, management determined that the estimated recoverable amounts of this CGU determined under the VIU method are lower than their carrying amounts. As a result, the impairment loss of approximately RMB40,657,000 (2020: RMBNil) in respect of property, plant and equipment of this CGU was made for the year ended 31 December 2021.

* *For identification purposes only*

17 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets		
Land use rights	**11,803**	9,610
Land and buildings	**13,579**	—
	25,382	9,610
Lease liabilities		
Current	**1,199**	—
Non-current	**894**	—
	2,093	—

Additions to the right-of-use assets during the year were approximately RMB17,127,000 (2020: RMB694,000).

17 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

(b) Amounts recognised in the consolidated statement of profit or loss

	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets:		
— Land use rights	**416**	398
— Land and buildings	**939**	1,557
	1,355	1,955
Interest expenses on lease liabilities *(Note 11)*	**41**	35
Expenses relating to short-term leases	**—**	260
Loss relating to termination of leases	**—**	168
Total cash outflow for leases	**925**	1,777

(c) The Group's leasing activities and how these are accounted for

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 40 years and 2 to 5 years respectively. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

18 INTERESTS IN ASSOCIATES

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**—**	92,803
Transfer from interest in a joint venture *(Note 19)*	**2,762**	—
Share of losses for the year	**(148)**	(92,803)
At the end of the year *(Note (i))*	**2,614**	—

18 INTERESTS IN ASSOCIATES *(continued)*

(a) Particulars of the associates are as follows:

Name	Principal activities	Country of business/ incorporation	% of ownership interest (Indirect)		% of voting rights held by the Group (Indirect)	
			2021	2020	**2021**	2020
Shenzhen Qianhai Jiefeng Financing and Leasing Limited ("**Shenzhen Qianhai**")	Financial leasing, purchase of leased assets, lease advisory and guarantees	The PRC	**45.13%**	45.13%	**49%**	49%
Poly Wealth Securities Limited ("**Poly Wealth**")	Securities brokerage	Hong Kong	**25%**	—	**25%**	—

Summarised financial information

The following table illustrates the summarised financial information for material associates, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the financial statements:

	Shenzhen Qianhai	
	2021	2020
Asset and liabilities as at 31 December	***RMB'000***	*RMB'000*
Current assets	**1,012**	1,012
Non-current assets	**—**	—
Current liabilities	**(60,184)**	(55,618)
Non-current liabilities	**—**	—
Net liabilities	**(59,172)**	(54,606)

	Shenzhen Qianhai	
	2021	2020
Profit or loss for the year ended 31 December	***RMB'000***	*RMB'000*
Revenue	**—**	—
Loss for the year	**(4,566)**	(249,060)
Other comprehensive income	**—**	—
Total comprehensive income	**(4,566)**	(249,060)
Dividends received from associates	**—**	—

18 INTERESTS IN ASSOCIATES *(continued)*

Reconciliation to carrying amount

Reconciliation of the summarised financial information presented to the carrying amounts of the Company's interests in associates.

	Shenzhen Qianhai	
	2021	2020
	RMB'000	*RMB'000*
Opening net (liabilities)/assets at the beginning of the year	**(54,606)**	194,454
Loss for the year	**(4,566)**	(249,060)
Closing net liabilities at the end of the year	**(59,172)**	(54,606)
Share in%	**45.13%**	45.13%
Share of net liabilities	**(26,704)**	(24,644)
Interest in an associate, net	**—**	—

Set out below are the summarised financial information for the associate which was individually immaterial to the Group.

	Poly Wealth	
	2021	2020
	RMB'000	*RMB'000*
The Group's share on:		
Loss and other comprehensive income for the year	**(148)**	—

Note:

(i) As at 31 December 2020, the interest in Shenzhen Qianhai of approximately RMB92,803,000 and amount due from Shenzhen Qianhai of approximately RMB29,187,000 were fully impaired. Taking into account the management accounts of Shenzhen Qianhai that (i) its loan receivables have past due; (ii) lack of the relevant information and/or documents from Shenzhen Qianhai for repayment from its debtors or renewal of these loan receivables; and (iii) certain debtors are in financial difficulties and currently involved in the court proceedings in the PRC, the management considered that the default risk of the loan receivables in the books of Shenzhen Qianhai was significantly high and the recoverability of the such loan receivables were remote and hence amount due from Shenzhen Qianhai of the Group was remote. In this regard, full impairment on interest in an associate and full provision of expected credit losses on amount due from an associate were recognised by the Group for the year ended 31 December 2020.

During the year ended 31 December 2021 and up to the date of this report, the Group has sought the legal advice from the external legal advisers on the recoverability of the loan receivables of Shenzhen Qianhai and issued a loan repayment demand letter to Shenzhen Qianhai to request the repayment but in vain.

18 INTERESTS IN ASSOCIATES *(continued)*

Reconciliation to carrying amount *(continued)*

Note: (Continued)

Having reviewed and discussed the matter with the external legal advisers, and based on the management accounts of Shenzhen Qianhai, the company and legal searches on Shenzhen Qianhai and the recoverability assessment works on Shenzhen Qianhai's debtors conducted by the Group's external legal advisers, their legal opinion and recovery efforts including the demand repayment made by the Group, the management are of the view that any recovery of the carrying amounts of the interest in Shenzhen Qianhai and amount due from Shenzhen Qianhai to be minimal. As a result, as at 31 December 2021, the interest in an associate and amount due from an associate continued to be fully impaired.

19 INTEREST IN A JOINT VENTURE

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**2,961**	4,621
Share of loss for the year	**(154)**	(1,660)
Loss on deemed disposal of interest in a joint venture	**(45)**	—
Transfer to interests in associates *(Note 18)*	**(2,762)**	—
At the end of the year	**—**	2,961

(a) Particulars of the joint venture are as follows:

Name	**Principal activities**	**Country of business/ incorporation**	**% of ownership interest (Indirect)**	
			2021	2020
Poly Wealth	Securities brokerage	Hong Kong	—	50%

Set out below are the summarised financial information for the joint venture which was individually immaterial to the Group.

	2020
	RMB'000
The Group's share on:	
Loss and other comprehensive income for the year	(1,660)
Carrying amount of investments	2,961

20 FINANCIAL INSTRUMENTS BY CATEGORY

	2021	2020
	RMB'000	*RMB'000*
Financial assets		
At fair value		
— Financial assets at fair value through other comprehensive income	**6,489**	8,165
— Financial assets at fair value through profit or loss	**6,913**	7,325
	13,402	15,490
At amortised cost		
— Trade receivables	**345,129**	273,735
— Financial assets at amortised cost (including other receivables)	**377,629**	568,850
— Cash and cash equivalents	**243,295**	858,837
	966,053	1,701,422
	979,455	1,716,912
Financial liabilities		
At amortised cost		
— Trade and other payables	**230,270**	201,717
— Borrowings	**1,703,717**	2,221,632
— Lease liabilities	**2,093**	—
	1,936,080	2,423,349

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income ("**FVOCI**") comprise of equity securities which are held for an identified long term strategic purpose so the Group does not intend to dispose them in the foreseeable future. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

(b) Equity investments at fair value through other comprehensive income

	2021 ***RMB'000***	2020 *RMB'000*
Unlisted equity investment in the PRC	**6,489**	8,165

(c) Amount recognised in consolidated statement of comprehensive income

	2021 ***RMB'000***	2020 *RMB'000*
Fair value (loss)/gain on financial assets at fair value through other comprehensive income	**(1,676)**	665

(d) Valuation process

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Equity investments at fair value through profit or loss

	2021 ***RMB'000***	2020 *RMB'000*
Unlisted equity investment in the Cayman Islands	**5,225**	5,225
Listed equity investments in HK and in the PRC	**1,688**	2,100
	6,913	7,325

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(a) Equity investments at fair value through profit or loss *(continued)*

	2021	2020
	RMB'000	*RMB'000*
Analysed as:		
Current assets	**1,688**	2,100
Non-current assets	**5,225**	5,225
	6,913	7,325

(b) Amount recognised in consolidated statement of profit or loss

	2021	2020
	RMB'000	*RMB'000*
Fair value loss on financial assets at fair value through profit or loss	**(380)**	(513)

(c) Valuation process

Information about the methods and assumptions used in determining fair value of unlisted equity investment is provided in Note 3.3.

23 INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Finished goods	**680**	618

24 TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables *(Note a)*	**347,159**	275,765
Less: provision for loss allowance	**(2,030)**	(2,030)
	345,129	273,735
Prepayments, deposits, and other receivables *(Note b)*	**542,845**	690,688
	887,974	964,423
Less: Non-current proportion		
— Prepayments for acquisition of property, plant and equipment and investments	**(142,699)**	(25,008)
— Deposit for non-current other loans	**(25,800)**	(16,000)
— Other long-term receivables	**—**	(114,373)
	(168,499)	(155,381)
	719,475	809,042

The carrying amounts of the Group's trade and other receivables are denominated in RMB.

24 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables

As at 31 December 2021, the Group has pledged certain of its trade receivables with carrying values of approximately RMB343,136,000 (2020: approximately RMB273,718,000) to secure its other loans (2020: bank and other loans).

The Group's trade receivables are mainly sales of electricity receivable from local grid company. Generally, the receivables are due within 30 days from the date of billing, except for the tariff adjustment. The collection of such tariff adjustment is subject to the allocation of funds by relevant government authorities to local grid company, which therefore takes a relatively long time for settlement. The ageing analysis of the trade receivables based on invoice date is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within three months	**84,648**	81,213
More than three months but within one year	**73,431**	67,709
More than one year	**187,050**	124,813
	345,129	273,735

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

At 31 December 2021, trade receivables of the Group amounting to approximately RMB2,030,000 (2020: approximately RMB2,030,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 1 year as at 31 December 2021 and 2020 or related to customers that were in financial difficulties. The Group does not hold any collateral over these balances.

24 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Prepayments, deposits, and other receivables

	2021	2020
	RMB'000	*RMB'000*
Other receivables *(Note (i))*	**362,268**	347,057
Less: provision for loss allowance	**(187,438)**	(17,853)
	174,830	329,204
Loan receivables *(Note (ii))*	**249,630**	243,642
Less: provision for loss allowance	**(77,431)**	(17,420)
	172,199	226,222
Amount due from an associate *(Note 18 (i))*	**29,187**	29,187
Less: provision for loss allowance	**(29,187)**	(29,187)
	—	—
Amount due from a non-controlling interest *(Note (iii))*	**4,800**	7,498
Less: provision for loss allowance	**—**	—
	4,800	7,498
Deposit for other loans *(Note (iv))*	**25,800**	16,000
Prepayments	**165,216**	111,764
Total	**542,845**	690,688
Less: Non-current portion		
— Prepayments for acquisition of property, plant and equipment and investments	**(142,699)**	(25,008)
— Deposit for non-current other loans	**(25,800)**	(16,000)
— Other long-term receivables	**—**	(114,373)
	(168,499)	(155,381)
	374,346	535,307

24 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Prepayments, deposits, and other receivables *(continued)*

Notes:

(i) As at 31 December 2020, other receivables of approximately RMB114,373,000 were due from Suzlon. On 17 December 2015, the Group entered into the memorandum of understanding with a vendor, a company indirectly holding 75% equity interest in Suzlon, in connection with a possible acquisition of the abovementioned equity interest in Suzlon. The Group paid to the vendor a refundable deposit of US$6,500,000 (equivalent to approximately RMB42,100,000) (the "**Deposit**"), which the Deposit was subsequently transferred by the vendor to Suzlon in November 2018. On 7 February 2018, the Group and Suzlon entered into the equipment purchase agreement of certain machinery and equipment (the "**Equipment**") for the construction project of a wind farm in Baotou City of Inner Mongolia in the PRC. The Group has paid approximately RMB132,373,000 to Suzlon in previous years as consideration of the Equipment and Deposit. Suzlon was subsequently in financial difficulties and its production was suspended, thus Suzlon was unable to deliver the Equipment to the Group. Suzlon has not discharged its repayment obligation on the Deposit. The Group has continuously demanded repayment from Suzlon on the Equipment and Deposit but in vain. The Group has recorded loss on remeasurement of other receivables to fair value of approximately RMB18,000,000 for the year ended 31 December 2019.

During the year ended 31 December 2020, the Group commenced legal proceedings in the PRC against Suzlon for partial consideration paid. The PRC court had ruled that Suzlon should return a sum of approximately RMB35,950,000 to the Group for the failure to deliver the Equipment. No provision for expected credit losses on the remaining other receivables due from Suzlon of approximately RMB78,423,000 was made during the year ended 31 December 2020.

During the year ended 31 December 2021 and up to the date of this report, Suzlon didn't settle any of the outstanding balances. The Group has sought the legal advice from the external legal advisers on the recoverability of the balances due from Suzlon.

Having reviewed and discussed the matter with the external legal advisers, and based on the company and legal searches conducted by the Group's external legal advisers and their legal opinion, recovery efforts including the demand repayment made by the Group and the legal action taken by the Group, the management are of the view that any recovery of the carrying amounts of these balances due from Suzlon to be minimal. As a result, as at 31 December 2021, the carrying amounts of these receivables were written down to RMBNil on the consolidated statement of financial position such that the expected credit losses on these other receivables of Suzlon of approximately RMB113,023,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2021.

(ii) As at 31 December 2021 and 2020, the loan receivables from independent third parties were unsecured, interest-bearing at rates ranging from 5%–18% (2020: 5%–18%) per annum and repayable within one year. Loan receivables from independent third parties with aggregate gross amounts of approximately RMB155,590,000 (2020: RMB162,380,000) were guaranteed by business partners of those independent third parties. Loan receivables from independent third parties with aggregate gross amounts of approximately RMB7,250,000 (2020: RMB6,000,000) were guaranteed by the shareholder of the independent third parties. The remaining loan receivables from independent third parties were unguaranteed.

(iii) As at 31 December 2021 and 2020, the amount due from a non-controlling interest was unsecured, interest-free and repayable on demand.

(iv) As at 31 December 2021 and 2020, the Group has pledged certain of its deposits with carrying values of RMB25,800,000 (2020: RMB16,000,000) to secure its other loans (Note 31(e)).

24 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Prepayments, deposits, and other receivables *(continued)*

The movement in provision for loss allowance on other receivables are as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**64,460**	17,274
Provision for impairment	**234,171**	47,700
Write-off	**(4,360)**	—
Exchange realignment	**(215)**	(514)
At end of the year	**294,056**	64,460

25 CASH AND CASH EQUIVALENTS

	2021	2020
	RMB'000	*RMB'000*
Cash at banks	**243,295**	858,837

The Group's cash and cash equivalents are denominated in the following currencies:

	2021	2020
	RMB'000	*RMB'000*
RMB	**222,751**	858,436
HK$	**20,544**	401
	243,295	858,837

As at 31 December 2021, the cash and cash equivalents of the Group amounted to RMB222,002,000 (2020: RMB858,375,000), were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control.

26 DEFERRED INCOME TAX LIABILITIES

	2021 *RMB'000*	2020 *RMB'000*
Deferred income tax liabilities		
— To be settled after one year	**14,090**	19,194

The components of deferred income tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of property *RMB'000*	**Convertible bonds** *RMB'000*	**Withholding tax on future dividend income** *RMB'000*	**Total** *RMB'000*
At 1 January 2020	(19,169)	2,920	(3,636)	(19,885)
Credited/(charged) to the consolidated statement of profit or loss	3,399	(2,920)	—	479
Exchange realignment	—	—	212	212
At 31 December 2020 and 1 January 2021	**(15,770)**	**—**	**(3,424)**	**(19,194)**
Credited to the consolidated statement of profit or loss	**3,399**	**—**	**1,607**	**5,006**
Exchange realignment	**—**	**—**	**98**	**98**
At 31 December 2021	**(12,371)**	**—**	**(1,719)**	**(14,090)**

At 31 December 2021, the Group has unused tax losses of approximately RMB63,093,000 (2020: RMB42,181,000) available for offset against future profits which can be carried forward for five years under current tax legislation. No deferred income tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

At 31 December 2021, deferred tax liabilities of approximately RMB1,719,000 (2020: approximately RMB3,424,000) have been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits of an associate.

26 DEFERRED INCOME TAX LIABILITIES *(continued)*

At 31 December 2021, deferred tax liabilities of approximately RMB17,076,000 (2020: approximately RMB11,397,000) have not been provided for in the consolidated financial statements in respect of the temporary difference attributable to the undistributed profits of other PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

27 SHARE CAPITAL

	2021	2020
	RMB'000	*RMB'000*
Authorised		
10,000,000,000 shares at HK$0.01 each	**87,912**	87,912
Issued and fully paid		
1,979,141,000 shares at HK$0.01 each	**17,286**	17,286

28 RESERVES

(a) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(b) Statutory reserves

As stipulated by the relevant PRC laws and regulations, the PRC subsidiaries shall set aside 10% of their net profit after taxation for the PRC statutory reserves (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be utilised, upon approval by the board of directors of respective enterprises and by relevant authority, to offset accumulated losses or increase registered capital, provide that the balance after such issue is not less than 25% of its registered capital.

(c) Translation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of an entity with functional currency other than RMB.

28 RESERVES *(continued)*

(d) Convertible bonds reserve

The convertible bonds reserve comprises the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 2.20.

(e) Share-based payment reserve

The share-based payment reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2.18 (iii) and the portion of the grant date fair value of unexercised non-listed warrants.

(f) Fair value reserve

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period.

As at 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB185,645,000 (2020: approximately RMB373,769,000).

29 SHARE-BASED PAYMENT

(a) Share options

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 1 June 2015.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participant as incentives or rewards for their contributions to the Group. All full time or part time employees, directors, consultants, advisers, substantial shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of any member of the Group, to be determined absolutely by the board are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the date on which Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares of the Company in issue at the date of approval of the Share Option Scheme ("**General Scheme Limit**"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

29 SHARE-BASED PAYMENT *(continued)*

(a) Share options *(continued)*

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share option granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding share option) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Any grant of options under the Share Option Scheme and any other share option scheme adopted by the Group to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5,000,000, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

An offer for the grant of options shall remain open for acceptance for a period of 7 days from the date of offer. An offer shall be deemed to have been accepted and an option to which the offer relates shall be deemed to have been granted and accepted and to have taken effect when a letter in such form as the board may from time to time determine signifying acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within 28 days from the date of offer. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provision of early termination thereof.

The subscription price of a share under the Share Option Scheme will be a price solely determined by the Board and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option. And each option gives the holder the right to subscribe for one share of the Company.

During the year ended 31 December 2021, 179,900,000 share options have been granted under the Share Option Scheme (2020: nil).

As at 31 December 2021 and 2020, 179,900,000 and nil share options were outstanding. The Company had refreshed 10% scheme mandate limit for granting share options under the Share Option Scheme with the Shareholders' approval on the annual general meeting held on 29 July 2021.

As at the date of this report, the total number of outstanding options available for grant under the Share Option Scheme was 197,914,080 (2020: 14,080) shares, which represented approximately 10% (2020: approximately 0.001%) of the shares of the Company in issue as at that date.

29 SHARE-BASED PAYMENT *(continued)*

(a) Share options *(continued)*

The following table discloses movements in the outstanding option granted by the Company under the Share Option Scheme during the years ended 31 December 2021:

		Number of share options							
Year	Category of participant	As at 1 January 2021	Granted during the period	Cancelled/ lapsed during the period	Exercised during the period	As at 31 December 2021	Grant date	Exercise period *(Note)*	Exercise price per share
2021	Directors in aggregate	–	71,000,000	–	–	71,000,000	29 January 2021	4 years commencing from 29 January 2021	HK$0.18
	Employees in aggregate	–	108,900,000	–	–	108,900,000	29 January 2021	4 years commencing from 29 January 2021	HK$0.18
	Total	–	179,900,000	–	–	179,900,000			

Note: All share option granted do not have any vesting period.

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The significant assumptions used in the binomial model to derive the fair value at the date of grant conducted by an independent valuer were as follows:

Date of grant	**29 January 2021**
Risk free rate	**0.231%**
Expected volatility	**50%**
Expected dividend yield	**0%**
Life of option (year)	**4**
Closing share price at grant date	**HK$0.177**
Exercise price per share	**HK$0.18**
Weighted average fair value per share option	**RMB0.057**

The expected volatility is calculated based on the historic volatility of share prices of the Company and comparable companies based on publicly available information. Expected dividend yield is based on historic dividends.

During the year 31 December 2021, share-based payment expenses of approximately RMB10,300,000 (2020: Nil) were recognised in the consolidated statement of profit or loss in relation to share options.

29 SHARE-BASED PAYMENT *(continued)*

(b) Non-listed warrants

On 3 March 2021, the Company entered into the warrant placing agreement with the sole placing agent, who is an independent third party, pursuant to which the sole placing agent has conditionally agreed to procure, on a best effort basis, not less than six independent placees to subscribe for up to 395,828,160 warrants for its service provided at a placing price of HK$0.015 per warrant under specific mandate.

The subscription rights attaching to the warrants will be exercisable within 18 months from the date of the issue of the warrants. Each warrant carries the right to subscribe for one warrant share, assuming full conversion of the subscription rights attaching to the 395,828,160 warrants at the amended warrant exercise price of HK$0.22 per warrant share, a maximum of 395,828,160 warrant shares will be allotted and issued.

The placing of warrants was completed on 5 August 2021. An aggregate of 395,000,000 warrants have been fully placed to not less than six independent placees at the placing price of HK$0.015 per warrant for its service provided. The warrants were classified as equity instruments. The fair value of the warrants was RMB13,366,000 at date of its service received and an equity-settled share-based payment expense was also recognised in the consolidated statement of profit or loss. The net proceeds from the placing were approximately RMB4,801,000, being available for the general working capital of the Company.

None of the rights attached to the warrants has been exercised and no warrant shares has been allotted or issued from the conversion of the warrants up to the date of this report.

The fair value of the warrants at 5 August 2021 were determined by reference to a valuation using Binomial Tree Model. The inputs and methodology used for the calculation of the fair value of the warrants are as follows:

	5 August 2021
Share price	**HK$0.218**
Time to maturity	**18 months**
Risk-free rate	**0.06%**
Dividend Yield	**0%**
Volatility	**52.07%**

30 TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**13,202**	2,259
Interest payables	**83,124**	47,784
Other tax payables	**8,025**	6,006
Payables on acquisition of property, plant, and equipment	**11,919**	11,900
Payables on acquisition of a subsidiary *(Notes (i))*	**16,894**	22,093
Amounts due to directors *(Notes (ii))*	**6,271**	4,519
Amounts due to non-controlling interests *(Notes (ii))*	**12,513**	46,704
Other payables and accruals	**78,322**	66,572
	230,270	207,837

Notes:

(i) As at 31 December 2021 and 2020, the balance mainly included the outstanding payable to the vendors for the acquisition of equity interest in Hebei Hongsong Renewable Energy Investment Co., Ltd.

(ii) As at 31 December 2021 and 2020, the amounts were unsecured, interest-free and repayable on demand.

The ageing analysis of the trade payables based on invoice date is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within three months	**6,502**	1,356
More than three months but within one year	**4,093**	555
More than one year	**2,607**	348
	13,202	2,259

The carrying amounts of trade and other payables approximate their fair values and are denominated in RMB.

31 BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Bank loans, secured *(Note a)*	**20,000**	210,000
Bonds *(Note b)*	**144,075**	144,136
Notes payables *(Note c)*	**63,809**	135,394
Convertible bonds *(Note d)*	**255,743**	297,365
Other loans *(Note e)*	**1,220,090**	1,434,737
Total	**1,703,717**	2,221,632
Less: Non-current portion		
— Bank loans, secured *(Note a)*	**—**	(150,000)
— Bonds *(Note b)*	**(69,976)**	(92,030)
— Other loans *(Note c)*	**(1,050,940)**	(1,144,040)
	(1,120,916)	(1,386,070)
	582,801	835,562

31 BORROWINGS *(continued)*

(a) Bank loans, secured

Details of the repayment schedule in respect of the interest-bearing bank borrowings are as follows:

	2021	2020
	RMB'000	*RMB'000*
Within one year	**20,000**	60,000
Within a period of more than one year but not exceeding two years	**—**	30,000
Within a period of more than two years but not exceeding five years	**—**	120,000
	20,000	210,000

As at 31 December 2021, the Group's interest-bearing bank borrowings are secured by way of the following:

— the Group's certain trade receivables with carrying values of approximately RMBNil (2020: approximately RMB273,718,000);

— guarantee provided by a related company of which Mr. Li Baosheng, a former executive director of the Company, is the beneficial owner of that related company; and

— no personal guarantees is provided (2020: personal guarantees provided by Mr. Zhang and his wife to the extent of the indebtedness of certain bank loans).

The average effective interest rate on secured bank loans approximated 7.8% per annum (2020: approximately 5.39% per annum).

At 31 December 2021 and 2020, all bank loans are denominated in RMB.

(b) Bonds

As at 31 December 2021, the unsecured bonds issued in an aggregated principal amount of approximately HK$176,136,000 (2020: approximately HK$176,236,000) with maturity in one to seven years (2020: one to seven years). The bonds carry fixed interest rate at 7%–10% per annum (2020: 7%–7.5% per annum) and interest is payable in arrears yearly. As at 31 December 2021, the bonds of approximately RMB74,099,000 are classified as current liabilities (2020: approximately RMB52,106,000) and approximately RMB69,976,000 are classified as non-current liabilities (2020: approximately RMB92,030,000).

31 BORROWINGS *(continued)*

(c) Notes payables

Interest expenses on the notes payables were calculated using the effective interest method by applying the effective interest rate of approximately 16% per annum.

During the year ended 31 December 2021, the notes payables with principal amount of approximately HK$82,507,000 (2020: HK$10,800,000) has been repaid. The Company is currently in negotiation with all the noteholders regarding possible extension of maturity date and amendments to the other terms and conditions of the remaining balance of the notes payables.

(d) Convertible bonds

On 31 December 2018, the Company, Filled Converge Limited ("**Filled Converge**") (a company wholly-owned by Mr. Zhang, an executive director of the Company) and Well Foundation Company Limited ("**Well Foundation**") entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue and (i) Filled Converge conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$294,183,000 and (ii) Well Foundation conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$19,612,000 (the "**Convertible Bonds**"). The Convertible Bonds are in aggregation in the amount of HK$313,795,000 due in 2021 and extendable to 2022 at an interest rate of 8% per annum, with the conversion rights to convert the outstanding principal amount of the Convertible Bonds into the shares at an initial conversion price of HK$0.485 per conversion share.

The Company may demand early redemption of any amount of the outstanding principal amounts of the Convertible Bonds at any time after nine months from issue by giving a notice to the bondholder of not less than ten business days. Early redemption of the Convertible Bonds will be made at par value of the Convertible Bonds plus accrued interest up to the date of redemption.

Bondholders have the right on any business day during the conversion period to convert in whole or in part the outstanding principal amount of the Convertible Bonds in whole or in integral multiples of HK$1,000 into conversion shares at an initial conversion price of HK$0.485 per conversion share (subject to adjustments).

The Convertible Bonds were due in March 2021 and have not been extended to 2022. The Company has been under negotiation and discussion with Filled Converge and Well Foundation since January 2021 for settlement of the Convertible Bonds. On 28 January 2022, the Company and Filled Converge entered into the subscription agreement of new convertible bonds to settle the outstanding Convertible Bonds payable to Filled Converge. Details please refer to Note 39. The Company and Well Foundation have mutually agreed to discuss the settlement plans by the end of 2022 in relation to the outstanding amount payable to Well Foundation under the Convertible Bonds.

31 BORROWINGS *(continued)*

(d) Convertible bonds *(continued)*

Pursuant to the Convertible Bonds subscription agreement, the Company is required to pay each of Filled Converge and Well Foundation a default interest on default repayment of the Convertible Bonds. As at 31 December 2021, the balance of HK$19,612,000 payable to Well Foundation is unsecured, interest-bearing at 20% per annum. The balance of HK$294,183,000 payable to Filled Converge is interest-bearing at 15% per annum, which have been mutually agreed with Filled Converge by reference to the gross yield to maturity of 15% per annum pursuant to the Convertible Bonds subscription agreement.

Pursuant to the Convertible Bonds subscription agreement, if the Convertible Bonds are not redeemed on the maturity date, the conversion rights attached to the Convertible Bonds will revive or will continue to be exercisable up to, and including, the close of business on the date upon which the full amount of the moneys payable in respect of the Convertible Bonds have been duly and irrevocably received by the bondholders and, notwithstanding that the full amount of moneys payable in respect of such Convertible Bonds shall have been received by the bondholders before such conversion date or that the conversion period may have expired before such conversion date. Accordingly, the Convertible Bonds are not derecognised even they were matured in March 2021.

On initial recognition on 25 March 2019, the fair value of the equity component and liability component (determined using the prevailing market interest rate of similar non-convertible debts) of Convertible Bonds as a whole has been ascertained by an independent valuer Chung Hin Appraisal Limited.

31 BORROWINGS *(continued)*

(d) Convertible bonds *(continued)*

Interest expenses on the Convertible Bonds were calculated using the effective interest method by applying the effective interest rate of approximately 14.0% per annum to the respective liability component.

The movement of liability and equity component of the Convertible Bonds for the year is set out as below:

	Liability component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
As at 1 January 2020	297,498	17,047	314,545
Interest expenses *(Note 11)*	40,604	—	40,604
Settlement of interest	(22,279)	—	(22,279)
Exchange realignment	(18,458)	—	(18,458)
As at 31 December 2020 and 1 January 2021	**297,365**	**17,047**	**314,412**
Interest expenses *(Note 11)*	**9,056**	**—**	**9,056**
Settlement of interest	**(41,938)**	**—**	**(41,938)**
Exchange realignment	**(8,740)**	**—**	**(8,740)**
As at 31 December 2021	**255,743**	**17,047**	**272,790**

(e) Other loans

Details of the repayment schedule in respect of other loans are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within one year	**169,150**	290,697
Within a period of more than one year but not exceeding two years	**130,210**	122,140
Within a period of more than two years but not exceeding five years	**400,810**	390,940
More than five years	**519,920**	630,960
	1,220,090	1,434,737

31 BORROWINGS *(continued)*

(e) Other loans *(continued)*

As at 31 December 2021 and 2020, the other loans were secured and/or guaranteed as follows:

	2021	2020
	RMB'000	*RMB'000*
Secured *(Note)*	**1,173,890**	1,360,227
Guaranteed *(Note)*	**—**	58,000
Unsecured	**46,200**	16,510
	1,220,090	1,434,737

Note:

At 31 December 2021, secured loans included loans amounted to RMB1,173,890,000 (2020: RMB1,260,000,000) in connection with the sales and leaseback transactions by the Company which constitutes a very substantial disposal of the Company under the Listing Rules, of which loan periods ranged from 5 to 13 years (2020: 5 to 13 years). Further details are set out in the announcements of the Company dated 29 November 2019, 23 December 2019, 28 December 2020 and 24 November 2021.

At 31 December 2021, the Group's secured/guaranteed other loans were secured/guaranteed by the following:

— the Group's certain property, plant and equipment with carrying values of approximately RMB904,371,000 (2020: approximately RMB1,043,926,000);

— the Group's certain deposits with carrying values of approximately RMB25,800,000 (2020: approximately RMB16,000,000);

— the Group's certain trade receivables with carrying values of approximately RMB343,136,000 (2020: RMB273,718,000); and

— no guarantees, personal guarantees and charges over the paid registered capital of certain subsidiaries of the Company are provided (2020: guarantee provided by Mr. Li Baosheng, a former executive director of the Company and the Company to the extent of the indebtedness of certain other loans, personal guarantees provided by Mr. Zhang and his wife to the extent of the indebtedness of certain other loans and charges over the paid registered capital of certain subsidiaries of the Company).

The average effective interest rate on secured other loans approximated 6.4% per annum (2020: approximated 6.1% per annum)

At 31 December 2021, except for the other loans of approximately RMB6,200,000 (2020: RMB8,511,000) which is denominated in US$, all other loans are denominated in RMB.

32 DEFERRED INCOME

	Government grants *RMB'000*
At 1 January 2021	—
Business acquisition *(Note 35)*	**713**
Utilisation	**(26)**
At 31 December 2021	**687**

	2021 *RMB'000*
Analysed for reporting purposes as:	
— Current liabilities	**80**
— Non-current liabilities	**607**
	687

The government grants mainly represented amounts designated for purchasing incineration of medical wastage facilities received, which was recorded as deferred income in the consolidated statement of financial position and is credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Notes	2021 RMB'000	2020 RMB'000
Loss before income tax		**(342,603)**	(173,877)
Adjustments for:			
Depreciation of property, plant and equipment	9	**155,953**	154,846
Depreciation of right-of-use assets	9	**1,355**	1,955
Interest income		**(13,577)**	(7,417)
Finance costs	11	**146,663**	140,271
Gain on disposal of a subsidiary	35	**—**	(91)
Expected credit losses on other receivables		**234,171**	47,700
Impairment on property, plant and equipment	16	**40,657**	—
Share of losses of associates		**148**	92,803
Share of loss of a joint venture		**154**	1,660
Loss on early termination of lease		**—**	168
Loss on deemed disposal of interest in a joint venture	8	**45**	—
Waiver of other loans interest payables	8	**(2,517)**	—
Bargain purchase of a subsidiary	35	**(542)**	—
Deferred income	7	**(26)**	—
Share-based payment from issue of warrants	9	**8,565**	—
Share-based payment from issue of share options	10	**10,300**	—
Fair value losses on financial assets at fair value through profit or loss	8	**380**	513
Operating profit before working capital changes		**239,126**	258,531
Changes in working capital:			
Financial assets at fair value through profit or loss		**32**	79
Inventories		**9**	(35)
Trade and other receivables		**(95,684)**	(74,315)
Amount due from a non-controlling interest		**2,698**	(5,000)
Trade and other payables		**20,086**	16,293
Amounts due to directors		**1,752**	4,206
Cash generated from operations		**168,019**	199,759

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Net debt reconciliation

This section sets out the movements in liabilities arising from financing activities for each of the years presented.

	Interest payables *RMB'000*	Bank loans and other loans *RMB'000*	Bonds *RMB'000*	Convertible bonds *RMB'000*	Notes payables *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
As at 1 January 2020	20,424	982,733	149,498	297,498	154,217	2,343	1,606,713
Changes from financing cash flows:							
Proceeds from new bank loans and other loans	—	1,309,712	—	—	—	—	1,309,712
Repayment of bank loans and other loans	—	(654,225)	—	—	—	—	(654,225)
Repayment of bonds	—	—	(893)	—	—	—	(893)
Repayment of notes payables	—	—	—	—	(9,940)	—	(9,940)
Repayment of lease liabilities and interest	—	—	—	—	—	(1,517)	(1,517)
Other borrowing cost paid	—	(28,265)	(11,405)	(22,279)	(21,642)	—	(83,591)
Total changes from financing cash flows	—	627,222	(12,298)	(22,279)	(31,582)	(1,517)	559,546
Exchange realignment	—	(32)	(9,021)	(18,458)	(8,742)	(14)	(36,267)
Non-cash movements							
— Addition on lease liabilities	—	—	—	—	—	694	694
— Interest expenses *(Note 11)*	27,360	34,814	15,957	40,604	21,501	35	140,271
— Termination of lease	—	—	—	—	—	(1,541)	(1,541)
As at 31 December 2020	47,784	1,644,737	144,136	297,365	135,394	—	2,269,416

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Net debt reconciliation *(continued)*

	Interest payables *RMB'000*	Bank loans and other loans *RMB'000*	Bonds *RMB'000*	Convertible bonds *RMB'000*	Notes payables *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
As at 1 January 2021	**47,784**	**1,644,737**	**144,136**	**297,365**	**135,394**	**—**	**2,269,416**
Changes from financing cash flows:							
Proceeds from new bank loans and other loans	—	50,000	—	—	—	—	50,000
Repayment of bank loans and other loans	—	(454,411)	—	—	—	—	(454,411)
Repayment of bonds	—	—	(83)	—	—	—	(83)
Repayment of notes payables	—	—	—	—	(68,504)	—	(68,504)
Repayment of lease liabilities and interest	—	—	—	—	—	(12,466)	(12,466)
Other borrowing cost paid	—	(70,289)	(10,464)	(41,938)	(14,217)	—	(136,908)
Total changes from financing cash flows	—	(474,700)	(10,547)	(41,938)	(82,721)	(12,466)	(622,372)
Exchange realignment	—	(236)	(4,717)	(8,740)	(3,081)	(27)	(16,801)
Non-cash movements							
— Addition on lease liabilities	—	—	—	—	—	14,545	14,545
— Interest expenses *(Note 11)*	35,340	72,806	15,203	9,056	14,217	41	146,663
— Waiver of other loans interest payable	—	(2,517)	—	—	—	—	(2,517)
As at 31 December 2021	**83,124**	**1,240,090**	**144,075**	**255,743**	**63,809**	**2,093**	**1,788,934**

34 RELATED PARTY TRANSACTIONS

Save as the transactions and balances disclosed elsewhere in the consolidated financial statements and the followings, the Group did not enter into any other material related party transaction.

Key management compensation

The executive directors of the Company are regarded as key management. Details of the key management compensation are disclosed in Note 10(a) to the consolidated financial statements.

35 BUSINESS COMBINATION

Acquisition of a subsidiary

In August 2021, the Group completed the acquisition of the entire equity interest in 承德嘉恒醫療廢棄物處置有限公司, for a cash consideration of RMB14,800,000.

Net assets at the date of acquisition were as follows:

	RMB'000
Consideration paid	
Cash	14,800
Recognised amounts of fair value of identifiable assets acquired, liabilities assumed	
Property, plant and equipment *(Note 16)*	10,349
Right-of-use assets	2,608
Inventories	71
Trade and other receivables	7,158
Cash and cash equivalents	497
Trade and other payables	(4,626)
Current tax liabilities	(2)
Deferred income *(Note 32)*	(713)
Total identifiable net assets	15,342
Bargain purchase recognised in consolidated statement of profit or loss	(542)
	14,800
Net cash outflow arising from the acquisition:	
Cash and cash equivalent acquired	497
Less: cash consideration	(14,800)
	(14,303)

35 BUSINESS COMBINATION *(continued)*

Disposal of a subsidiary

On 18 June 2020, the Group entered into an agreement with a purchaser to dispose of the entire 100% of the issued share capital of a wholly-owned subsidiary, Well Ming International Limited and its subsidiary (collectively referred as "**Well Ming**"), for a cash consideration of HK$100,000 (equivalent to approximately RMB91,000). The disposal transaction was completed on 3 July 2020.

Net assets at the date of disposal were as follows:

	RMB'000
Net assets disposed of	—
Gain on disposal of a subsidiary	91
Proceeds from disposal	91

36 COMMITMENTS

As at 31 December 2021, capital commitments outstanding not provided for in the consolidated financial statements were as follows:

	2021	2020
	RMB'000	*RMB'000*
Capital injection in an associate		
— Contracted for	**38,076**	39,117
Acquisition of property, plant and equipment		
— Contracted for	**53,901**	45,015
	91,977	84,132

37 COMPARATIVE FIGURES

During the year ended 31 December 2021, certain prior year comparative figures have been reclassified to conform to current year presentation.

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	**2021** **RMB'000**	2020 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**70,824**	159,543
Current assets			
Other receivables		**96,636**	96,440
Amounts due from subsidiaries		**688,063**	798,579
Cash and cash equivalents		**298**	122
		784,997	895,141
Total assets		**855,821**	1,054,684
EQUITY			
Share capital	*38(b)*	**17,286**	17,286
Reserves	*38(b)*	**217,385**	388,320
Total equity		**234,671**	405,606
LIABILITIES			
Non-current liabilities			
Borrowings		**69,976**	92,030
Current liabilities			
Amounts due to subsidiaries		**75,214**	22,789
Other payables		**76,110**	40,884
Borrowings		**399,850**	493,375
		551,174	557,048
Total liabilities		**621,150**	649,078
Total equity and liabilities		**855,821**	1,054,684

The statement of financial position of the Company was approved by the Board of Directors on 25 April 2022 and was signed on its behalf.

Zhang Zhixiang
Director

Ning Zhongzhi
Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(b) Share capital and reserve movement of the Company

	Share capital *RMB'000*	Share premium *RMB'000*	Translation reserve *RMB'000*	Convertible bonds reserve *RMB'000*	Share-based payment reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	15,677	1,454,336	13,760	17,047	—	(1,013,648)	487,172
Comprehensive loss							
Loss for the year	—	—	—	—	—	(104,732)	(104,732)
Other comprehensive loss							
Exchange difference arising on translation of foreign operations	—	—	(16,256)	—	—	—	(16,256)
Total comprehensive loss for the year	—	—	(16,256)	—	—	(104,732)	(120,988)
Transactions with owners							
Placing of shares	1,609	37,813	—	—	—	—	39,422
At 31 December 2020 and 1 January 2021	**17,286**	**1,492,149**	**(2,496)**	**17,047**	**—**	**(1,118,380)**	**405,606**
Comprehensive loss							
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(188,124)**	**(188,124)**
Other comprehensive loss							
Exchange difference arising on translation of foreign operations	**—**	**—**	**(6,477)**	**—**	**—**	**—**	**(6,477)**
Total comprehensive loss for the year	**—**	**—**	**(6,477)**	**—**	**—**	**(188,124)**	**(194,601)**
Transactions with owners							
Issuance of share options	**—**	**—**	**—**	**—**	**10,300**	**—**	**10,300**
Issuance of non-listed warrants	**—**	**—**	**—**	**—**	**13,366**	**—**	**13,366**
At 31 December 2021	**17,286**	**1,492,149**	**(8,973)**	**17,047**	**23,666**	**(1,306,504)**	**234,671**

39 EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidation financial statements, the followings are other events after the date of financial position.

Proposed issuance of convertible bonds

On 28 January 2022, the Company and Filled Converge entered into the subscription agreement, pursuant to which the Company conditionally agreed to issue and Filled Converge conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$356,375,000 which will be used for the settlement of the outstanding principal amount and interest payable by the Company to Filled Converge under the existing Convertible Bonds.

FIVE YEARS' FINANCIAL SUMMARY

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**352,407**	346,401	361,683	361,184	389,996
Operating (loss)/profit	**(195,638)**	60,857	85,140	102,933	176,071
(Loss)/profit before income tax	**(342,603)**	(173,877)	(61,607)	(11,929)	55,844
(Loss)/profit for the year	**(358,678)**	(203,973)	(80,778)	(37,258)	24,125
Attributable to:					
The owners of the Company	**(368,557)**	(213,010)	(103,879)	(64,212)	(7,090)
Non-controlling interests	**9,879**	9,037	23,101	26,954	31,215
	(358,678)	(203,973)	(80,778)	(37,258)	24,125
Assets and liabilities					
Total assets	**2,237,007**	3,098,787	2,552,254	2,571,854	2,450,874
Total liabilities	**(1,955,819)**	(2,465,564)	(1,761,901)	(1,693,335)	(1,517,109)
Net assets	**281,188**	633,223	790,353	878,519	933,765
Capital and reserves					
Share capital	**17,286**	17,286	15,677	15,677	15,677
Reserves	**55,236**	384,720	523,965	610,673	666,323
Total equity attributable to the owners of the Company	**72,522**	402,006	539,642	626,350	682,000
Non-controlling interests	**208,666**	231,217	250,711	252,169	251,765
Total equity	**281,188**	633,223	790,353	878,519	933,765

Note:

1 The results for the year ended 31 December 2021, and the assets and liabilities as at 31 December 2021 have been extracted from the consolidated statement of profit or loss and consolidated statement of financial position as set out on pages 88 to 91 respectively, of the consolidated financial statements.