China Ruifeng Renewable Energy Holdings Limited

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

2022
ANNUAL REPORT

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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
Registered 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
17/F, Far East Finance Centre
16 Harcourt Road
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 2022 (the "**Reporting Period**").

As a renewable energy enterprise specialising in wind power development and operation, during the year of 2022, 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.

2022 was the second year for the 14th Five-year Plan. In 2022, 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, China kept the COVID-19 situation under control and maintained the stability of its overall economic environment. According to the National Bureau of Statistics of China, China's Gross Domestic Product ("**GDP**") increased by 3% year-on-year ("**YoY**") in 2022, while the national electricity consumption increased by 3.6% YoY to 8,637.2 billion kWh during the period between January and December 2022.

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, 31 March 2023

BUSINESS OVERVIEW

Wind farm operations

For the year ended 31 December 2022, the revenue from the wind farm operations amounted to approximately RMB298,870,000 (2021: approximately RMB349,995,000), representing a decrease of approximately 15% from that of year ended 31 December 2021.

Hongsong's wind farm projects

The construction of the Phase 9 Project — The Yuanhui Project of Hongsong was completed in December 2013. Hongsong currently has an installed capacity of 398.4 MW, and its wind farm had a steady and stable operation in 2022 which made primarily contribution to the Group's revenue for the year ended 31 December 2022.

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 (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's 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 3.0% year on year for the year ended 31 December 2022, evidencing China's entering into the "new normal" mode of economic development. Compared to 2021, China's economy in 2022 was more stable with increasing positive changes and stabilising growth. China's GDP growth for the fourth quarter of 2022 increased by 2.9% year on year and the national economy showed positive signs of gradual recovery and growth after overcoming the impact of pandemic control measures.

There has been a steady growth in China's wind power industry in the recent years. According to the National Energy Administration of China, the newly installed on-grid wind power capacity in 2022 was 37.63 gigawatt ("**GW**"). The accumulative installed on-grid wind power capacity reached 370 GW. Wind power generation capacity for 2022 reached 686,700 GW, accounting for approximately 8.2% of all power generation output. The national average wind power utilisation hours were 2,221 hours. In 2022, China's total electricity consumption was 8.64 trillion kilowatt hours ("**kWh**"), an increase of 3.6% compared with 2021.

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 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 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 electricity supply and demand, and therefore fluctuate accordingly. The total wind power generated by the Company's Hongsong Wind Farm in Hebei Province for the years ended 2022 and 2021 were 663.38 gigawatt hours ("**GWh**") and 777.54 GWh, 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 impact the Company's profitability.

(2) Risks of wind power pricing fluctuation

In December 2016, the National Development and Reform Commission of China (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 ("**PV**") 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 subsidised 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 renewable energy business is capital intensive, and electricity project constructions are characterised as large-scale investments with 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 PV grid projects in Gobi and other desert areas.

On 1 June 2022, nine PRC authorities including the NDRC and the National Energy Administration jointly issued the "14th Five-Year Plan for Renewable Energy Development" (《"十四五" 可再生能源發展規劃 》) which sets out the goals for development and utilisation of renewable energy. During the second 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 37.63 GW and 87.41 GW, respectively. Offshore wind power capacity increased by 5.16 GW, and the accumulated installed capacity reached 30.51 GW, thereby allowing China to be the largest wind power generator in the world. Abandoned wind and PV power rates remained stable during 2022, with consumption rates amounting to 96.8% and 98.2%, respectively. Under its "dual carbon" goals, China has entered into 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 a full play to the dynamics of local governments and market entities, and bring new momentum to the wind and solar power industries.

With technological advancement, wind energy price decreases because of equipment manufacturers' ability to build larger and lighter wind turbine products. On the other hand, as a result of the Chinese government's increasing investment in smart grids and ultra-high-voltage electrical transmission cables, abandoned wind rates and power rationing hours have been decreasing every year, while utilisation hours for wind power have been increasing. 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 looking for and acquiring power stations with good development prospects and established operations to strengthen its existing business of operating and maintaining wind farms in northern China, gradually expanding its business coverage to surrounding areas, and increasing 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 business 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 long-term growth of the Group, creating more value for the society, and seeking higher returns for the shareholders ("**Shareholders**") and investors of the Company.

FINANCIAL REVIEW

The Group is principally engaged in wind farm operations during the Reporting Period. Operating results for the years ended 31 December 2022 and 31 December 2021 are as follows:

	Year ended 31 December 2022 *RMB'000*	2021 *RMB'000*	Increase/ (decrease) *RMB'000*	Approximate change in percentage %
Revenue	**304,443**	352,407	(47,964)	(14)
Gross profit	**64,114**	112,770	(48,656)	(43)
Operating profit/(loss)	**992**	(195,638)	196,630	101
Loss before income tax	**(156,055)**	(342,603)	(186,548)	(55)
Loss for the year	**(162,020)**	(358,678)	(196,658)	(55)
Attributable to:				
The owners of the Company	**(154,448)**	(368,557)	(214,109)	(58)
Non-controlling interests	**(7,572)**	9,879	(17,451)	(177)
Loss for the year	**(162,020)**	(358,678)	(196,658)	(55)

	Notes	Year ended 31 December 2022	2021
Net debt *(RMB'000)*	*1*	**(1,302,227)**	(1,460,422)
Net assets *(RMB'000)*	*2*	**115,157**	281,188
Liquidity ratio	*3*	**189%**	118%
Trade receivables turnover (number of days)	*4*	**289**	322
Trade payables turnover (number of days)	*5*	**25**	12
Earning interest multiple	*6*	**0.003**	(1.34)
Net debt to capital ratio	*7*	**1,131%**	519%

Notes:

1. Cash at bank and on hand – Borrowings

2. Total assets – Total liabilities

3. Current assets/Current liabilities x 100%

4. Average trade receivables/Revenue x 365 days

5. Average trade payables/Cost of sales x 365 days

6. Profit/(loss) before interest and taxation/Finance cost

7. Net debt/Equity x 100%

Revenue

During the Reporting Period, 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 2022 was approximately RMB304,443,000, representing a decrease of approximately 14% compared to approximately RMB352,407,000 for the year ended 31 December 2021.

Analysis of the Group's revenue for the years ended 31 December 2022 and 31 December 2021 are set out below:

	2022	2021	**Increase/ (decrease)**	**Approximate change in percentage**
	RMB'000	*RMB'000*	*RMB'000*	*%*
Sales of electricity	**220,602**	253,816	(33,214)	(13)
Tariff adjustment	**78,268**	96,179	(17,911)	(19)
Incineration of medical wastage	**5,573**	2,412	3,161	131
Total	**304,443**	352,407	(47,964)	(14)

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 2022 accounted for approximately RMB240,329,000 (2021: approximately RMB239,637,000), which represented approximately 79% of the Group's revenue (2021: approximately 68%).

Gross Profit

Gross profit was approximately RMB64,114,000 for the year ended 31 December 2022 (2021: approximately RMB112,770,000) 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 2022 was approximately 21%, as compared to approximately 32% for the year 31 December 2021.

Other Income and Other Gains, net

Other income and other gains, net for the year ended 31 December 2022 were mainly comprised of (i) refund of value-added tax from the PRC government amounted to approximately RMB17,177,000 (2021: approximately RMB19,373,000); (ii) rental income from operating leases amounted to approximately RMB2,306,000 (2021: approximately RMB2,301,000); (iii) waiver of interest payables of other loans amounted to approximately RMB7,899,000 (2021: RMB2,517,000); (iv) gain on redemption of the Convertible Bonds amounted to approximately RMB4,601,000 (2021: Nil) and (v) gain on disposal of a subsidiary amounted to approximately RMB3,677,000 (2021: Nil).

Administrative Expenses

Administrative expenses mainly included salaries and welfare expenses, professional fees, rental expenses, depreciation expenses, office expenses and other taxation expenses. It decreased by approximately 13% to approximately RMB62,526,000 for the year ended 31 December 2022 as compared with that of approximately RMB71,559,000 for the year ended 31 December 2021.

The decrease was mainly due to the absence of share-based payments arising from the issuance of share options and share warrants (2021: RMB10,300,000 and RMB8,565,000 respectively).

Provision for Expected Credit Losses on Other Receivables

Provision for expected credit losses on other receivables amounted to approximately RMB27,503,000 were recognised for the year ended 31 December 2022 (2021: approximately RMB234,171,000). 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, Convertible Bonds and New Convertible Bonds (as defined below) issued by the Company amounted to approximately RMB156,469,000 for the year ended 31 December 2022 (2021: approximately RMB146,663,000). The slight increase was mainly due to increase in interest expenses of other loans incurred during the Reporting Period.

Taxation

Taxation expenses decreased to approximately RMB5,965,000 for the year ended 31 December 2022 (2021: approximately RMB16,075,000). Such decrease was mainly derived from the decrease in taxable profits of Hongsong.

Loss for the Year

Loss for the year ended 31 December 2022 was approximately RMB162,020,000 (2021: approximately RMB358,678,000). The significant decrease in loss for the year was mainly due to the decrease in provision for expected credit losses on other receivables incurred for the year ended 31 December 2022 of approximately RMB27,503,000 (2021: RMB234,171,000).

Loss attributable to the owners of the Company was approximately RMB154,448,000 (2021: approximately RMB368,557,000).

Net Current Assets

Net current assets as at 31 December 2022 were approximately RMB426,134,000 (2021: approximately RMB145,826,000). Increase in net current assets position as at 31 December 2022 was mainly due to the issuance of the New Convertible Bonds due in 2025 which is classified as non-current liabilities to settle the Convertible Bonds payable to Filled Converge Limited.

Liquidity and Financing

The cash and bank balances as at 31 December 2022 and 31 December 2021 amounted to approximately RMB420,843,000 (mainly denominated in RMB and Hong Kong dollar ("**HK$**") which is comprised of approximately RMB416,671,000 and HK$4,679,000), and approximately RMB243,295,000 (mainly denominated in RMB and HK$ which is comprised of approximately RMB222,751,000 and HK$25,143,000) respectively.

Total borrowings as at 31 December 2022 amounted to approximately RMB1,723,070,000, representing an increase by approximately RMB19,353,000 when compared with approximately RMB1,703,717,000 as at 31 December 2021.

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 94% as at 31 December 2022 from approximately 87% as at 31 December 2021. The ratio was calculated by dividing the Group's total liabilities by its total assets. During the year ended 31 December 2022, 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 RMB1,723,070,000 as at 31 December 2022. Among the interest-bearing borrowings of the Group, approximately RMB559,559,000 were fixed-rate loans, while approximately RMB1,163,511,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2022 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 2022, the Company did not issue any additional non-listing corporate bonds (the "**Corporate Bonds**") to investors, and the principal amount of HK$24,825,000 in total were matured and redeemed (for the year ended 31 December 2021: the Company did not issue any additional Corporate Bonds; and the principal amount of HK$100,000 in total were matured and redeemed).

As at 31 December 2022 and 31 December 2021, the principal amount of approximately HK$151,311,000 and HK$176,136,000 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 became unconditional on 15 December 2017 upon the grant of listing approval 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 the grant of listing approval 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 the grant of listing approval from the Stock Exchange. Convertible Notes have since then been reclassified as notes (the "**Notes**").

During the year ended 31 December 2022, the Notes with principal amount of HK$13,542,000 has been repaid (2021: 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 2022 and 31 December 2021, the principal amount of approximately HK$64,751,000 and HK$78,293,000 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 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.

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 to i) 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 Company's announcement dated 28 January 2022.

The Convertible Bonds in the principal amount of HK$294,183,000 and outstanding interests payable to Filled Converge were fully settled through the issuance of New Convertible Bonds with the principal amount of HK$356,375,000 to Filled Converge, which was completed on 28 April 2022. Further details are set out in the section headed "Issuance of New Convertible Bonds" in this report.

On 30 June 2022, the Company entered into a deed of settlement with Well Foundation. The Convertible Bonds in the principal amount of HK$19,612,000 and outstanding interests payable to Well Foundation were fully settled in the sum of HK$10,000,000 by cash and by issue of 70,000,000 settlement shares at the issue price of HK$0.255 per ordinary share to Well Foundation. The allotment of settlement shares was completed on 15 July 2022 and the Company fully settled all outstanding amounts payable to Well Foundation on 9 August 2022. Further details are set out in the section headed "Capital Raising" in this report and also in the announcements of the Company dated 30 June 2022, 15 July 2022 and 9 August 2022.

None of the rights attached to the Convertible Bonds have been exercised and no conversion shares have been allotted or issued from the conversion of the Convertible Bonds during the year ended 31 December 2022.

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 New 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 subscription of convertible bonds in the principal amount of HK$356,375,000 due 2025 (the "**New Convertible Bonds**"). Pursuant to the New Subscription Agreement, the Company conditionally agreed to issue and Filled Converge conditionally agreed to subscribe for the New Convertible Bonds in the principal amount of HK$356,375,000. The subscription of the Convertible Bonds by Filled Converge constitutes a connected transaction of the Company.

The principal amount of HK$294,183,000 and outstanding interests payable by the Company to Filled Converge under the Convertible Bonds were fully settled through the New Convertible Bonds issued by the Company to Filled Converge. The remaining amount of proceeds from the subscription of the New Convertible Bonds (i.e. approximately HK$4,000) were used to partially settle the professional fees incurred by the Company. The New 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 New Convertible Bonds into the Company's ordinary shares at an initial conversion price of HK$0.18 per conversion share.

Based on the estimated net proceeds from the issue of the New Convertible Bonds of approximately HK$356,045,000 and a total of 1,979,861,111 conversion shares to be issued at the initial conversion price of HK$0.1800 each upon exercise of the conversion rights in full, the net issue price per conversion share is approximately HK$0.1798.

Assuming full conversion of the New 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 New Convertible Bonds.

The issuance of the New Convertible Bonds was approved by the Shareholders at the extraordinary general meeting held on 19 April 2022 and approved by the Stock Exchange on 22 April 2022. The issuance of the New Convertible Bonds was completed on 28 April 2022.

None of the rights attached to the New Convertible Bonds have been exercised and no conversion shares have been allotted or issued from the conversion of the New Convertible Bonds during the year ended 31 December 2022.

Further details of the issuance of the New Convertible Bonds are set out in the announcements of the Company dated 28 January 2022, 11 March 2022, 17 March 2022, 19 April 2022, 20 April 2022 and 28 April 2022 and the circular of the Company dated 29 March 2022.

Issuance of 2023 Convertible Bonds

On 20 December 2022, the Company and three individual subscribers entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue and (i) Mr. Xu Yingjie conditionally agreed to subscribe for the convertible bonds (the "**2023 Convertible Bonds**") in the principal amount of HK$9,769,920; (ii) Mr. Cao Zhiwei conditionally agreed to subscribe for the 2023 Convertible Bonds in the principal amount of HK$4,884,880 and (iii) Ms. Chen Li conditionally agreed to subscribe for the 2023 Convertible Bonds in the principal amount of HK$4,885,200. The 2023 Convertible Bonds are in the aggregate principal amount of HK$19,540,000 due in 2026 at an interest rate of 7% per annum, with the conversion rights to convert the principal amount of the 2023 Convertible Bonds into shares at an initial conversion price of HK$0.06 per conversion share. The conversion shares under the 2023 Convertible Bonds will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 16 June 2022.

Assuming full conversion of the 2023 Convertible Bonds, a total of 325,666,666 new shares of the Company, being the conversion shares, would be allotted and issued, representing (i) approximately 15.89% of the issued share capital of the Company as at the date of the subscription agreement; and (ii) approximately 13.71% of the issued share capital of the Company as at the date of the subscription agreement as enlarged by the allotment of issue of the conversion shares upon full conversion of the 2023 Convertible Bonds.

The net proceeds from the issuance of 2023 Convertible Bonds are estimated to be approximately HK$19,400,000, which is intended to be used as to (i) approximately HK$6,000,000 for general working capital of the Group; and (ii) the remaining amount of approximately HK$13,400,000 for the repayment of the Group's loans.

Based on the estimated net proceeds from the issue of the 2023 Convertible Bonds of approximately HK$19,400,000 and a total of 325,666,666 conversion shares to be issued at the initial conversion price of HK$0.06 each upon exercise of the conversion rights in full, the net issue price per conversion share is approximately HK$0.06.

The issuance of the 2023 Convertible Bonds was completed on 6 February 2023 and the aggregate principal amount of HK$19,540,000 were issued to Mr. Xu Yingjie, who is the sole subscriber of the 2023 Convertible Bonds. The approval for the listing of, and permission to deal in, the conversion shares upon the exercise of the 2023 Convertible Bonds has been granted by the Stock Exchange.

Further details of the issuance of the 2023 Convertible Bonds are set out in the announcements of the Company dated 20 December 2022 and 6 February 2023.

Capital Raising

On 30 June 2022, the Company entered into a deed of settlement with Well Foundation, one of the holders of the Convertible Bonds, pursuant to which the Company has agreed to redeem the Convertible Bonds in the principal amount of HK$19,612,000 and outstanding interests payable to Well Foundation by cash in the sum of HK$10,000,000 and by issue of 70,000,000 settlement shares at the issue price of HK$0.255 per settlement share to Well Foundation.

Assuming that there will be no change in the issued share capital of the Company between the date of the deed of settlement and the completion of the deed of settlement, a total of 70,000,000 settlement shares would be allotted and issued, representing (i) approximately 3.54% of the issued share capital of the Company as at the date of the deed of settlement; and (ii) approximately 3.42% of the issued share capital of the Company as at the date of deed of settlement as enlarged by the allotment and issue of the settlement shares.

The 70,000,0000 settlement shares were allotted and issued at the issue price of HK$0.255 per settlement share on 15 July 2022. The aggregate issue price of HK$17,850,000 was used to partially settle the outstanding amount payable to Well Foundation.

Further details of the deed of settlement and issuance of settlement shares are set out in the announcements of the Company dated 30 June 2022, 15 July 2022 and 9 August 2022.

Save as disclosed in this report, the Group did not have other capital raising activity during the year ended 31 December 2022.

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.

Material Acquisition and Disposal

*Disposal 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")*

Chengde Jiaheng is principally engaged in incineration of medical wastage.

On 14 March 2022, Chengde Ruifeng Renewable Energy Windpower Equipment Co., Ltd.* (承德瑞風新能源風電設備有限公司) ("**Chengde Ruifeng**"), a wholly-owned subsidiary of the Company, as the vendor entered into first sale and purchase agreement with Chengde Chuyuyuan Husbandry Co., Ltd.* (承德儲榆源畜牧有限公司) ("**Chengde Chuyuyuan**") as the purchaser, pursuant to which the vendor conditionally agreed to sell, and the purchaser conditionally agreed to purchase, the sale shares representing 49% equity interests in Chengde Jiaheng, at a cash consideration of RMB7,252,000 upon the terms and conditions set out in the first sale and purchase agreement. The disposal was completed on 17 March 2022.

* *For identification purposes only*

On 1 September 2022, Chengde Ruifeng, as the vendor entered into the second sale and purchase agreement with Chengde Chuyuyuan as the purchaser, pursuant to which the vendor conditionally agreed to sell, and the purchaser conditionally agreed to purchase, the sale shares representing remaining 51% equity interests in Chengde Jiaheng, at a cash consideration of RMB8,302,800 upon the terms and conditions set out in the second sale and purchase agreement. The disposal was completed on 13 September 2022.

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 2022.

Investment in CH-Auto Technology

On 10 December 2021, the Company and CH-Auto Technology Corporation Ltd.* (北京長城華冠汽車科技股份有限公司) ("**CH-Auto Technology**"), its wholly-owned subsidiary, and its shareholder entered into the subscription agreement (the "**CH-Auto Technology Subscription Agreement**") pursuant to which the Company will subscribe for not more than 4% of the equity interests in CH-Auto Technology. The entering into the CH-Auto Technology Subscription Agreement constitutes a discloseable transaction of the Company under the Listing Rules. The Company shall contribute not less than RMB20 million and up to RMB70 million in aggregate to subscribe for certain shares of CH-Auto Technology, the actual number and per share price of which shall be determined based on the pre-fundraising valuation of CH-Auto Technology and the total funds raised by CH-Auto Technology in the round of fundraising of which the CH-Auto Technology Subscription Agreement forms part of, but shall in any case be not more than 4% of CH-Auto Technology total issued share capital.

The Company paid RMB20 million to CH-Auto Technology in December 2021 for the subscription. CH-Auto Technology's pre-fundraising valuation was RMB2 billion. Such valuation was agreed between the investors and CH-Auto Technology, based largely on previous valuations of CH-Auto Technology conducted by an independent valuer in April 2019. No new valuation report was made for the pre-fundraising valuation as at the material time, the vehicle and vehicle parts and components production of CH-Auto Technology had been significantly scaled down.

CH-Auto Technology is a company incorporated in the PRC with limited liability which was previously listed on the National Equities Exchange and Quotations ("**NEEQ**") of the PRC (NEEQ: 833581, voluntarily delisted on 19 April 2019). Established in 2012, it is principally engaged in vehicle design and development services, vehicle production and sales, and vehicle research and development.

On 28 February 2023, (i) the Company and CH-Auto Technology, its wholly-owned subsidiary, and its shareholder, have entered into a supplemental agreement to mutually agree to terminate the CH-Auto Technology Subscription Agreement with effect from 28 February 2023, for the purpose of potential overseas listing of CH-Auto Technology; and (ii) Chengde Ruifeng Renewable Energy Windpower Equipment Co. Ltd* (承德瑞風新能源風電設備有限公司) ("**Chengde Ruifeng**"), a wholly-owned subsidiary of the Company, and CH-Auto Technology entered into the capital injection agreement (the "**CH-Auto Technology Capital Injection Agreement**") to substitute the CH-Auto Technology Subscription Agreement. The entering into the CH-Auto Technology Capital Injection Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

* *For identification purposes only*

Pursuant to the CH-Auto Technology Capital Injection Agreement, Chengde Ruifeng shall contribute an aggregate amount of RMB20 million to subscribe for 8,000,000 shares of CH-Auto Technology, which represents approximately 0.86% of CH-Auto Technology's total issued share capital subsequent to the capital injection.

Further details of the investment in CH-Auto Technology are set out in the announcements of the Company dated 10 December 2021, 14 December 2021, 12 January 2022, 28 February 2023 and 23 March 2023.

Formation of joint venture companies

Formation of Hongsong Dongying

On 4 November 2022, a non-wholly owned subsidiary indirectly held by the Company, Hebei Hongsong Renewable Energy Investment Company Limited*(河北紅松新能源投資有限公司) ("**Hebei Hongsong Renewable Energy**"), entered into an agreement with Kang Bai Ke (Beijing) Technology Company Limited* (康百可(北京)科技有限公司) ("**Kang Bai Ke**") in relation to the formation and management of the joint venture company (the "**Dongying JV Agreement**") to be established in the PRC with limited liability and named as Hongsong Renewable Energy (Dongying) Company Limited* (紅松新能源(東營)有限公司) ("**Hongsong Dongying**"). The entering into of the Dongying JV Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under the Listing Rules.

Hongsong Dongying shall be principally engaged in the development of renewable energy business (including solar energy investment, wind power investment, infrastructure, manufacture and trade of hydrogen, methanol and ammonia, and manufacture of biomass energy equipment) in Dongying, Shandong Province, the PRC.

Pursuant to the terms of the Dongying JV Agreement, the total investment of Hongsong Dongying is expected to be RMB80,000,000 and its registered capital is expected to be RMB80,000,000, of which RMB48,000,000 shall be contributed by Hebei Hongsong Renewable Energy in cash and Hebei Hongsong Renewable Energy will hold 60% equity interest in Hongsong Dongying. The financial results of Hongsong Dongying would be consolidated into the Group's consolidated financial statements as its indirect non-wholly owned subsidiary.

Kang Bai Ke is a company established in the PRC with limited liability. It is principally engaged in the rural revitalisation industry sector including desertification and alkaline land treatment, agricultural upgrade and intelligent construction, green and low-carbon treatment for agricultural purpose in the PRC. Kang Bai Ke is beneficially held by two individuals namely Mr. Yu Mao (于懋) and Ms. Gong Li (公麗).

Further details of the formation of Hongsong Dongying are set out in the announcements of the Company dated 4 November 2022 and 11 November 2022.

* *For identification purposes only*

Formation of Hongsong Shandong

On 4 November 2022, a non-wholly owned subsidiary indirectly held by the Company, Beijing Hongsong Venture Capital Technology Investment Company Limited*(北京紅松創投科技發展有限公司) ("**Beijing Hongsong VC**"), entered into another agreement with Kang Bai Ke in relation to the proposed formation of the joint venture company (the "**Shandong JV Agreement**") to be established in the PRC with limited liability and named as Hongsong Agriculture and Animal Husbandry Technology (Shandong) Co., Ltd.*(紅松農牧科技(山東)有限公司) ("**Hongsong Shandong**"). The entering into of the Shandong JV Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under the Listing Rules.

The Hongsong Shandong shall be principally engaged in forage planting and trade, facility agricultural construction and operation, agricultural and animal husbandry consulting and planning, agricultural and animal husbandry product distribution in Dongying, Shandong Province, the PRC.

Pursuant to the terms of the Shandong JV Agreement, the total investment of the Hongsong Shandong is expected to be RMB20,000,000 and its registered capital is expected to be RMB20,000,000, of which RMB10,000,000 shall be contributed by Beijing Hongsong VC in cash and Beijing Hongsong VC will hold 50% equity interest in Hongsong Shandong. Hongsong Shandong would became a joint venture of the Company and the investments in Hongsong Shandong are accounted for using equity method of accounting, after initially being recognised at cost.

Further details of the formation of Hongsong Shandong are set out in the announcement of the Company dated 4 November 2022.

Sale and Leaseback Transactions

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

During the lease periods of the Sale and Leaseback Agreements, the ownership of the Leased Assets will be vested in the Lessor. The Lessee shall have the right to possess and use the Leased Assets. In accordance with the requirements of HKFRSs, the sale and leaseback transactions shall be accounted for as a financing transaction and therefore would not give rise to any gain or loss, or reduction in value of the Leased Assets. The Sale and Leaseback Agreements was approved, confirmed and ratified at the extraordinary general meeting held on 13 January 2020. During the year ended 31 December 2022, partial consideration of RMB110,000,000 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 2022, 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 RMB764,433,000 (31 December 2021: approximately RMB904,371,000), and trade and other receivables with a carrying value of approximately RMB164,816,000 (31 December 2021: approximately RMB368,936,000) as security for the borrowings obtained by the Group. As at 31 December 2022 and 31 December 2021, the issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

As at 31 December 2022 and 31 December 2021, the Group had no material contingent liabilities.

Significant Events Occurred Since the end of the Reporting Period

Save as disclosed in this report, there were no significant events occurred since the end of the Reporting Period.

Employees

As at 31 December 2022, the Group had approximately 127 full-time employees (2021: approximately 154 employees) in Hong Kong and the PRC in respect of the Group's operations. For the year ended 31 December 2022, the relevant staff costs (including Directors' remuneration) were approximately RMB43,277,000 (2021: approximately RMB50,503,000). 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.

Winding-up Petition

On 21 October 2022, the Company received a winding-up petition (the "**Petition**") presented by one of the subscribers of the Company's Corporate Bonds, namely Ms. Hu Chunmei (the "**Petitioner**"), against the Company to the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**") for the winding up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Petitioner alleged that the Company is indebted to the Petitioner in the sum of RMB500,000, which arose from a default of payment by the Company as the issuer of such Corporate Bonds issued to the Petitioner as the subscriber on 30 December 2014. Trading of Shares has been halted on 10 November 2022 and resumed on 11 November 2022. The Company received a court order from the High Court in terms of the Consent Summons filed herein dated 8 December 2022. The High Court ordered, among other things, that the Petition has been withdrawn.

Further details of the Petition are set out in the Company's announcements dated 10 November 2022, 15 November 2022 and 20 January 2023.

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 55, 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 391,618,325 shares, representing approximately 19.11% of the issued share capital of the Company as at 31 December 2022. Mr. Zhang is also the sole beneficial owner of the share capital in Filled Converge which holds the New Convertible Bonds issued by the Company in the principal amount of HK$356,375,000. Assuming the conversion right of the New Convertible Bonds were exercised in full, the total of 1,979,861,111 new shares will be issued to Filled Converge, representing approximately 96.62% of the total issued shares of the Company as at 31 December 2022.

Mr. Ning Zhongzhi (寧忠志) ("Mr. Ning"), aged 59, 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 56, 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 36, 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 56, 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 54, 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 51, 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 54, 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 42, is the secretary of the Board of Hongsong. He is mainly responsible for the Board and the administrative management of the Group. Mr. Fan was 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.

The Directors present this report and the audited consolidated financial statements for the year ended 31 December 2022 (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 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 94 to 95 of this report.

PROPOSED FINAL DIVIDEND

The Directors did not recommend the payment of dividends for the year ended 31 December 2022 (2021: 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 192 of this report.

PROPERTY, PLANT AND EQUIPMENT

During the current year, the Group acquired property, plant and equipment in the amount of approximately RMB1,167,000 (2021: approximately RMB13,422,000). 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 (2021: 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 2022 amounted to approximately RMB Nil.

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. Li Tian Hai, Mr. Peng Ziwei and Mr. Qu Weidong 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 25 to page 28 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2021 and 2022. 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. As at 31 December 2022, 179,900,000 share options under the Share Option Scheme were outstanding (2021: 179,900,000 share options).

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 2022, 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	391,618,325 *(Note 2)*	1,979,861,111 *(Note 3)*	19,700,000	2,391,179,436	116.69%
Mr. Ning Zhongzhi	Beneficial owner	—	—	19,700,000	19,700,000	0.96%
Mr. Li Tian Hai	Beneficial owner	—	—	8,000,000	8,000,000	0.39%
Mr. Peng Ziwei	Beneficial owner	—	—	8,000,000	8,000,000	0.39%
Mr. Qu Weidong	Beneficial owner	—	—	5,200,000	5,200,000	0.25%
Ms. Hu Xiaolin	Beneficial owner	—	—	5,200,000	5,200,000	0.25%
Mr. Jiang Senlin	Beneficial owner	—	—	5,200,000	5,200,000	0.25%

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 2022, Diamond Era was interested in 391,618,325 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 New Convertible Bonds issued by the Company in the principal amount of HK$356,375,000. Assuming the conversion right of the Convertible Bonds were exercised in full, the total of 1,979,861,111 new shares will be issued to Filled Converge, representing approximately 96.62% of the total issued shares of the Company as at 31 December 2022.

4. Based on the total number of issued shares (i.e. 2,049,140,800 shares) of the Company as at 31 December 2022.

(b) Interests of substantial Shareholders and other persons

As at 31 December 2022, 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)*	391,618,325	Beneficial owner	Long	19.11%
Filled Converge *(Note 2)*	1,979,861,111	Beneficial owner	Long	96.62%

Notes:

1. As at 31 December 2022, Diamond Era was interested in 391,618,325 shares. Diamond Era is wholly-owned by Mr. Zhang, an executive Director.

2. Filled Converge is wholly-owned by Mr. Zhang which holds the New Convertible Bonds issued by the Company in the principal amount of HK$356,375,000. Assuming the conversion right of the New Convertible Bonds were exercised in full, the total of 1,979,861,111 new shares of the Company will be issued to Filled Converge, representing approximately 96.62% of the total issued shares of the Company as at 31 December 2022.

3. Based on the total number of issued shares (i.e. 2,049,140,800 shares) of the Company as at 31 December 2022.

CONNECTED TRANSACTIONS

Save as otherwise disclosed in this report, and paragraph headed "Issuance of New Convertible Bonds", all the related party transactions in 2022 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 2022, 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	100%
— five largest customers	100%
— the largest supplier	33%
— five largest suppliers	70%

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.

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. Pursuant to the directions of the Listing Committee of the Stock Exchange, Mr. Peng Ziwei was required to attend 18 hours of training on regulatory and legal topics and Listing Rule compliance, including three hours on each of (a) director's duties; (b) the Corporate Governance Code; and (c) the Listing Rules requirements for Chapter 14. The Company confirms that Mr. Peng Ziwei has completed the required training. 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, 26 January 2022 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.

RESULTS OF INTERNAL CONTROL REVIEW

On 8 December 2021, the Company engaged CityLinkers Corporate Advisory Services Limited (連城企業諮詢服務有限公司) (the "**Internal Control Advisor**") to review and make recommendations to improve the Company's internal controls and to ensure compliance with the Listing Rules pursuant to the directions as set out in the Statement of Disciplinary Action.

The Internal Control Advisor has completed its review of the Company's internal control and risk management system in respect of:

A. Compliance with the notifiable transaction requirements of Chapter 14 of the Listing Rules;

B. Compliance with the connected transaction requirements Chapter 14A of the Listing Rules;

C. The monitoring environment of general controls of the other Listing Rules;

D. Supervision of general controls of the other Listing Rules; and

E. Information and communication of general controls of the other Listing Rules.

The Internal Control Advisor identified internal control deficiencies in the review and made recommendations to the Group. The Board confirms that all the recommendations of the Internal Control Advisor have been implemented.

Further details of the results of internal control review are set out in the announcement of the Company dated 29 March 2022.

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 2022. 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 86 to 93 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 corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and the consolidated statement of changes in equity and the related notes disclosures as reported by the Group. 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 2022, the interest in the Associate and the amount due from the Associate continued to be fully impaired.

(ii) Audit Modifications on other receivables

Details of the modification

As stated in the independent Auditors' report set out on pages 86 to 93 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 corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and the consolidated statement of changes in equity and the related notes disclosures as reported by the Group. 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.

(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 2022 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 comparability of the current year's figures and the corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and the consolidated statement of changes in equity and the related notes disclosures. The Board would like to emphasise 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 and 31 December 2022 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, the qualified opinion is 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 2022.

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 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 years ended 31 December 2021 and 31 December 2022 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
31 March 2023

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 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 abode 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. Jiang Senlin did not attend the annual general meeting held during the year ended 31 December 2022.

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 2022.

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 2022.

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, coordinate 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.

The Board is responsible for performing the corporate governance functions set out in Code Provision A.2.1. 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 2022 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 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 25 to page 28 of this report.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, during the year ended 31 December 2022, 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 2022, 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 115.73% 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 2022.

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 2022, the Board held 4 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 2022, the attendance record of each Director at the Board and the general meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

Director's name	Number of meetings attended/held Board	General
Executive Directors		
Mr. Zhang Zhixiang *(Chief Executive Officer)*	4/4	1/2
Mr. Ning Zhongzhi	4/4	2/2
Mr. Li Tian Hai	4/4	1/2
Mr. Peng Ziwei	4/4	1/2
Independent non-executive Directors		
Mr. Qu Weidong	3/4	1/2
Ms. Hu Xiaolin	4/4	1/2
Mr. Jiang Senlin	3/4	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 CONTINUOUS 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 Reporting Period, 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 were held during the Reporting Period.

According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2022 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, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, there has 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 if necessary. One meeting was held by the Chief Executive Officer and the independent non-executive Directors, without the presence of other Directors during the Reporting Period to discuss and review the performances of the executive Directors.

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, 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$1,500,000
Non-audit services	HK$200,000

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 2022, 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 86 to 93 of this report.

The accounts for the year ended 31 December 2022 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, 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 the reports on compliance with the risk management policy with the management annually;
- 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 the changes in external environment and the Group's risk tolerance level into consideration.

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 Audit 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 Reporting Period 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 2022 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 Reporting Period. The attendance record of the Audit Committee meetings is 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 2022. 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 Reporting Period, 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 websites of the Stock Exchange and the Company.

The Remuneration Committee held one meeting during the Reporting Period, at which the Remuneration Committee reviewed, discussed and determined the remuneration policy and the remuneration of the Directors and the senior management during the Reporting Period. The attendance record of the Remuneration Committee meetings is 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 2022, 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 2022 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 roles and functions 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, reviewing the nomination procedures and the process and criteria for selection and recommendation of candidates for directorship, 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 one meeting during the Reporting Period. The attendance record of the Nomination Committee meetings is 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 Reporting Period, 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 diversified 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, Nomination Committee and Remuneration Committee 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 Committee and Remuneration Committee 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 2022, 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.

GENDER DIVERSITY OF WORKFORCE

As at 31 December 2022, the Group had approximately 127 employees (including senior management), approximately 20% of whom were female. The Board regularly assesses the Group's diversity profile of all levels of employees and considers the diversity policy to attract, retain and motivate employees from the widest possible pool of available talent. The Board considers that the gender ratio of the workforce of the Group, including the Senior Management, is appropriate for the operations of the Group and will strive to maintain this ratio.

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 2022.

INVESTORS RELATIONS

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 2022, 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 website. 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 Reporting Period. 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 enquiries. With the above measures in place, the Shareholder's communication policy is considered to have been effectively implemented.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time put forward their proposals or enquiries 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.

REPORTING BOUNDARY AND REPORTING PERIOD

This is the Environmental, Social and Governance ("**ESG**") report ("**ESG Report**") prepared by China Ruifeng Renewable Energy Holdings Limited, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of its main project, Hongsong Wind Farm, Hebei, the People's Republic of China from 1 January 2022 to 31 December 2022 (the "**Reporting Period**"), unless otherwise stated.

REPORTING PRINCIPLES

The preparation of the ESG Report has applied the following principles:

Materiality — materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the ESG Report.

Quantitative — key performance indicators ("**KPIs**") have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance — performance of the Group was presented impartially, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgments.

Consistency — consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group communicates with key internal and external stakeholders through daily interaction to understand their concerns and expectations on ESG issues. The Group engages stakeholders via various communication channels such as regular meetings and seminars, annual financial and ESG reports, hotline, email, website and site visits. Through regular engagement sessions, the Group obtains valuable feedback and reviews areas of attention which will help the business to meet its potential growth and be prepared for future ESG challenges. The detailed stakeholder engagement methods are shown in the following table.

Stakeholders	Concerns	Methods of Engagement
Shareholders and investors	• Corporate governance system • Information disclosure and transparency • Protection of interests and fair treatment to shareholders • Investment returns	• Issue timely announcements and circulars • Annual meetings • Publish financial and ESG reports • The Group's website and email
Employees	• Career development opportunities • Health and safety • Remuneration and benefits • Working environment	• Training and employees-caring activities • Seminars and briefing sessions • Staff appraisals • Intranet and emails
Customers	• Stable relationship • Product and service quality • Customer privacy protection • Business integrity and ethics	• The Group's website • Customer support hotline and email
Suppliers and partners	• Fair tendering • Business ethics and reputation • Long-term partnership	• Regular meetings, emails and phone calls • Review and assessment
Government and regulatory authorities	• Compliance with rules and laws • Implementation of policies • Payment	• Compliance advisor • On-site inspections • Financial reports • Website • Legal advisor
The community and non-governmental organisations	• Giving back to society • Environmental protection • Social welfare • Health and safety	• Voluntary and charitable activities • ESG reports

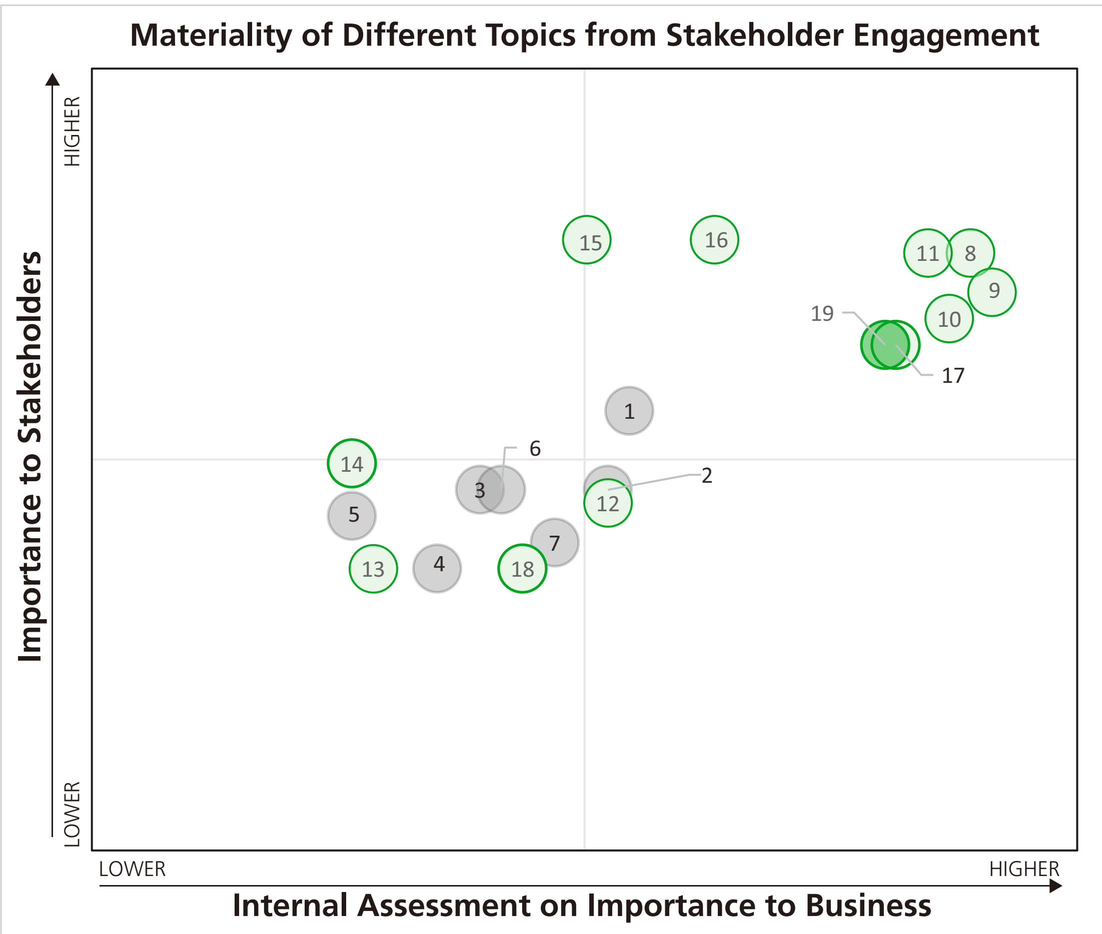
To determine the Group's material sustainability issues, the Group has hired a professional consultant to perform a stakeholder engagement exercise. The Group revised its list of major issues through this effort, and revisited them in light of its current business operations and the expectations of various stakeholders.

MATERIALITY ASSESSMENT

To identify material ESG issues, the Group has specifically engaged a wide range of stakeholders, including the Board of Directors, Shareholders, senior management, frontline workers, clients and suppliers to gain insights into ESG material topics. In the materiality assessment, stakeholders were asked to rate a list of 19 ESG topics in terms of their relevance and importance to the Group's business continuity and sustainability performance and the wider community.

Results of the materiality assessment and the consolidated list of material aspects with respective management are presented below. Management of the material aspects is discussed in relevant sections of this report.

Materiality Matrix



ENVIRONMENTAL AND SOCIAL ISSUES FOR MATERIALITY ASSESSMENT

Environmental		Social		Others	
1	Energy	8	Employment	19	Site Selection of Wind Farm
2	Water	9	Occupational Health and Safety		
3	Air Emission	10	Development and Training		
4	Waste and Effluent	11	Labour Standards		
5	Other Raw Materials Consumption	12	Supply Chain Management		
		13	Intellectual Property Rights		
6	Environmental Protection Policies	14	Data Protection		
		15	Customer Service		
7	Climate Change	16	Product/Service Quality		
		17	Anti-corruption		
		18	Community Investment		

Through ongoing dialogue and materiality assessment during the Reporting Period, the Group has identified 5 material issues that were deemed as the most important by the stakeholders:

- Site Selection of Wind Farm
- Product/Service Quality
- Customer Service
- Labour Standards
- Anti-corruption

The Group actively maintains communication with different stakeholders through the communication procedure on different ESG issues. The Group will continue to manage these critical issues by establishing more policies and guidelines to further enhance the Group's ESG performance.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Any suggestions or views can be sent by email at ir@c-ruifeng.com.

The Board Statement

The Board of Directors holds the ultimate responsibility on monitoring the Group's ESG issues, including ESG management approach, strategy, and policies. In order to manage the Group's ESG performance and identify potential risks efficiently, 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. The Group has been engaging with its stakeholders to deliver more sustainable outcomes and services that align with their expectations.

The ESG working group, composed of core members from different departments, is established to facilitate 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 climate-related risks, and minimise their negative impacts on the Group's business operations. By setting ESG-related targets to minimise the environmental impacts of the Group's operation, the Group affirmed its commitment to embedding sustainability into the business operation and fulfilling its corporate responsibility. The ESG working group would report to the Board, assist in assessing and identifying the climate-related risks and opportunities, evaluate the implementation and effectiveness of the internal control mechanism, and review the progress of achieving the ESG-related targets. For detailed information on climate-related risks and opportunities identified by the Group, please refer to the "A4. Climate Change" section.

Message From Chief Executive Officer

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

Our business units have various sustainable development principles integrated into 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 of the wind power business and leverage 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.

A. Environmental

The Group is highly conscious of balancing development and environmental protection to maintain a sustainable society. The Group is committed to continuously improving its environmental sustainability and ensuring environmental consideration remains one of the top priorities through its business operation.

The Group stringently complies with national and local laws and regulations concerning environmental protection and pollution control, including but not limited to:

- Energy Conservation Law of the PRC;
- Environmental Protection Law of the PRC;
- Law of the PRC on the Prevention and Control of Water Pollution;
- Law of the PRC on Prevention and Control of Air Pollution; and
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas ("**GHG**") emissions and generation of hazardous and non-hazardous waste was identified during the Reporting Period.

A1. Emissions

A1.1 Air Emissions

Light and heavy goods vehicles and other mobile machinery were used for daily business operations, with the vehicles running on petrol and diesel. In addition, liquefied petroleum gas ("**LPG**") was used in canteen. Their combustion generated several air emissions ("**non-GHG**"), including nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and respiratory-suspended particles ("**PM**").

Types of exhaust gas	Unit	2022	2021
NOx	kg	225.01	268.67
SOx	kg	0.97	1.46
PM	kg	21.62	25.74

A1.2 GHG Emissions

During the Reporting Period, the Group's business activities contributed to a GHG emission of 2,112.26 tonnes of carbon dioxide equivalent ($tCO_2e.$), and the overall intensity of the GHG emissions for the Group was 3.18 $tCO_2e.$/GWh of the total amount of wind power generated.

The GHG emissions reported include the following activities and scopes:

- Direct (scope 1) GHG emissions from the consumption of stationary and mobile sources and release of refrigerants from the operation of equipment and systems;
- Indirect energy (scope 2) GHG emissions from purchased electricity; and
- Other indirect (scope 3) GHG emissions from municipal freshwater and sewage processing and business air travel by employees.

GHG Emissions by Scope

Scope of GHG emissions	Emission sources	GHG Emission (in $tCO_2e.$) 2022	GHG Emission (in $tCO_2e.$) 2021	GHG Emission Intensity 2022 ($tCO_2e.$/GWh)	GHG Emission Intensity 2021 ($tCO_2e.$/GWh)
Scope 1 Direct emissions	Combustion of fuels in stationary sources (LPG & diesel)	5.03	282.08	3.18	3.88
	Combustion of fuels in mobile sources	165.93			
	Release of refrigerants from the operation of equipment and systems	88.98			
Scope 2 Energy indirect emissions	Purchased electricity	1,846.80	2,724.20		
Scope 3 Other indirect emissions	Electricity used for freshwater processing	2.86	7.51		
	Electricity used for sewage LPG & diesel processing	1.40			
	Paper waste disposed at landfills	1.26			
Group total		2,112.26	3,013.79		

Note 1: Emission factors for calculations on environmental parameters were made with reference to Appendix 27 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

Note 2: Emission factors were made reference to Appendix 27 to the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

Note 3: The emission factor of 0.581 kg CO_2e/kWh was used for purchased electricity in the PRC, which was made reference to The Ministry of Ecology and Environment of the PRC 2012.

Note 4: Scope 3 GHG emissions were calculated based on available emission factors referred by the Appendix 27 to the Listing Rules and their referred documentation.

Note 5: GHG emission intensity in 2021 has been restated to reflect the actual situation in that year. The revised GHG emission intensity in 2021 is reduced by 4% compared with the GHG emission intensity previously reported.

Note 6: The total amount of GHG emissions in 2021 has been restated to reflect the actual situation in that year. The revised total amount of GHG emissions are increased by 0.25% compared with the total amount of GHG emissions previously reported.

The wind power generated in the Group's operation can avoid the GHG emissions produced by the combustion of fuels. During the Reporting Period, the amount of GHG emissions can be avoided by wind power generated by Hongsong Wind Farm was as follows:

	Unit	2022
The total amount of wind power generated	MWh	663,380
GHG emissions avoided	tCO_2e	385,424

Note 7: The GHG emissions avoided is calculated by the assumption of consuming 663,380 MWh of purchased electricity in the PRC, the emission factor of 0.581 kg CO_2e/kWh is used with reference to The Ministry of Ecology and Environment of the PRC 2012.

A1.3 Hazardous Waste

The Group generated a total of 13,570 kg (2021: 11,700 kg) of hazardous waste, mainly waste oil barrels, waste filters and waste gear oil during the Reporting Period. The overall intensity was 20.4 kg/GWh (2021: 16 kg/GWh) of the total amount of wind power generated.

Hazardous Waste Generated

Type of hazardous waste	Unit	The amount of hazardous waste
Waste oil barrel	kg	1,290
Waste filter	kg	420
Waste gear oil	kg	11,860
The total amount of hazardous waste	**kg**	**13,570**

A1.4 Non-hazardous Waste

The non-hazardous waste generated by the Group was 24,262 kg (2021: 24,060 kg), and the overall intensity was 0.39 kg/GWh (2021: 30kg/GWh) of the total amount of wind power generated.

Note 8: The total amount of non-hazardous waste is estimated by the assumption of generating 2 tonnes of non-hazardous waste every month during the Reporting Period.

A1.5 Measures to Mitigate Emissions and Emission Reduction Targets

The GHG emissions, generated from the Group's daily electricity consumption, petrol, diesel and LPG combustions in vehicles and canteen, are the main source of the Group's carbon footprint. The Group will continue to monitor and disclose the Group's carbon footprint to control the impact of its business operations on the environment. The Group actively adopts the following measures to mitigate GHG emissions:

- Review the GHG emissions of the Group and improve emission reduction plan continuously;
- Conduct regular vehicle inspection and maintenance to enhance vehicle efficiency;
- Educate employees to turn off engines for idling vehicles;
- Eliminate substandard vehicles and regularise the procurement of diesel and petrol for vehicles; and
- Utilise teleconference or video meetings to prevent non-essential business air travel.

The Group has set a target to reduce the total GHG emissions intensity in tCO_2e/GWh by 5% by 2025, with 2021 as the base year. During the Reporting Period, the total GHG intensity was reduced by 18% compared with last year. The Group strives to review and improve GHG emissions reduction measures continuously to maintain GHG emissions reduction efficiency in the long term.

Indicator	2021 baseline	2022	2025 Target
The total GHG emissions intensity (tCO_2eq/GWh)	3.88	3.18	The Group has set a target to reduce the total GHG emissions intensity in tCO_2e/GWh by 5% by 2025, with 2021 as the base year.

A1.6 Wastes Reduction Initiatives and Targets

The Group strictly observes national laws and complies with the requirements of the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste and the National Catalogue of Hazardous Wastes in handling both hazardous and non-hazardous wastes. Internally, the Group has established various waste management and reduction measures.

The Group advocates waste reduction from the source and follows the 3R waste management strategy to reduce both hazardous and non-hazardous waste generation, reuse and recycle the materials before waste disposal, and achieve the goal of "zero harmless waste". The Group has also adopted the following environmentally friendly initiatives to enhance its waste reduction performance:

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

The hazardous waste generated by the Group's wind farms is mainly the 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. For handling hazardous waste, the Group has strictly adopted the following measures to prevent the leakage of lubricating grease and handle hazardous waste properly:

- Arrange the technicians to inspect, clean and repair the turbine unit regularly;
- Add lubricating grease according to the maintenance requirement of the original factory in order to avoid unnecessary waste grease;
- Set up warehouses to store hazardous wastes with specialized staff to manage the storage of waste grease;
- Classify chemical waste and get them correctly packed and labelled properly for identification purposes before passing them to the entrusted entity for transportation and disposal; and
- Appoint a contractor to handle the materials contaminated with lubricant oil properly, recycle and dispose of the lubricant oil containers in strict accordance with the laws and regulations relating to handling hazardous waste.

The Group has set a waste reduction target to reduce both the non-hazardous wastes intensity in tonnes/GWh by 5% and hazardous wastes intensity in tonnes/GWh by 5% by 2025, with 2021 as the base year. During the Reporting Period, the non-hazardous intensity and hazardous waste intensity were increased by 16% and 36% respectively. The Group strives to review and improve waste reduction measures continuously to maintain waste reduction efficiency in the long term.

Indicator	2021 baseline	2022	2025 Target
• The overall total non-hazardous waste generation intensity (tonnes/GWh of the total amount of wind power generated) • The overall total hazardous waste generation intensity (tonnes/GWh of the total amount of wind power generated)	• The overall total non-hazardous waste generation intensity: 0.032 • The overall total hazardous waste generation intensity: 0.015	• The overall total non-hazardous waste generation intensity: 0.032 • The overall total hazardous waste generation intensity: 0.020	To reduce both the non-hazardous wastes intensity in tonnes/GWh by 5% and hazardous wastes intensity in tonnes/GWh by 5% by 2025, with 2021 as the base year.

A2. Use of Resources

A2.1 Energy Consumption

The total energy consumption of the Group was 3,789.19 Megawatt-hours ("**MWh**"), with an overall energy intensity of 5.71 MWh/GWh of the total amount of wind power generated during the Reporting Period. All the total energy consumption of the Group was mainly derived from electricity consumption, combustion of petrol, diesel and LPG.

Energy Consumption and Intensity

Direct/indirect energy sources	2022 (MWh)	2021 (MWh)
LPG	2.09	N/A
Petrol	293.90	455.89
Diesel	314.55	616.29
Electricity	3,178.65	2,892.24
The overall total amount of energy consumption	3,789.19	3,964.42
Energy intensity (MWh/GWh)	5.71	5.10

Note 9: Conversion factors were made reference to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Note 10: The energy intensity in 2021 has been restated to reflect the actual situation in that year. The revised energy intensity in 2021 is reduced by 4% compared with the energy intensity previously reported.

A2.2 Water Consumption

The total water consumption for the Group was 6,681m³, with a water intensity of 10.07 m³/GWh of the total amount of wind power generated during the Reporting Period. No issues on sourcing water that is fit for purpose were reported.

	2022	2021
The total water consumption (m³)	6,681	7,114
Water consumption intensity (m³/GWh)	10.07	9.15

Note 11: The water consumption intensity in 2021 has been restated to reflect the actual situation in that year. The revised water consumption intensity in 2021 is reduced by 4% compared with the water consumption intensity previously reported.

A2.3 Energy Use Efficiency Initiatives and Targets

To consume energy more efficiently, the Group continues to promote energy-saving behaviour among employees. The following energy conservation measures have been implemented:

- Encourage natural lighting in the offices in order to reduce power consumption for lighting during the daytime; 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;
- Inspect, repair and maintain all equipment regularly to reduce energy wastage due to mechanical ageing;
- Review the energy consumption of the Group and improve the energy-saving plan continuously; and
- The energy-saving measures stated in the "A1.5 Measures to Mitigate Emissions" section.

The Group has set a target to reduce the total energy consumption intensity in MWh/GWh of the total amount of wind power generated by 5% in 2025, with 2021 as the base year. During the Reporting Period, the total energy consumption intensity was increased by 12% compared with last year. The increase in energy consumption intensity is due to the decrease in wind power generation during the Reporting Period. The Group strives to review and improve energy consumption reduction measures continuously to maintain energy-saving efficiency in the long term.

Indicator	2021 baseline	2022	2025 Target
The total energy consumption intensity (MWh/GWh)	5.10	5.71	To reduce the total energy consumption intensity in MWh/GWh by 5% in 2025, with 2021 as the base year.

A2.4 Water Use Efficiency Initiatives and Targets

The Group strives to increase its water use efficiency and ensures its operations comply with the relevant laws and regulations for the effective use of water. The following water use efficiency measures are implemented:

- Promote the concept of water consumption among employees and strengthens the maintenance, inspection and management of water-consuming equipment for water conservation;
- Pay attention to the efficient use of water resources, and carries out effective management from both awareness and practice perspectives;
- Promote employee awareness of water conservation by putting up posters and signs, striving to achieve "turn off water when you leave";
- Regular inspection of water pipes and related equipment, and handle drips and leaks timely; and
- Review the water consumption of the Group and improve the water-saving plan continuously.

The Group has set a target to reduce water consumption intensity in m^3/GWh of the total amount of wind power generated by 5% by 2025, with 2021 as the base year. During the Reporting Period, the water consumption intensity increased by 10% compared with last year. The increase in water consumption intensity is due to the decrease in wind power generation during the Reporting Period. The Group strives to review and improve water consumption reduction measures continuously to maintain water-saving efficiency in the long term.

Indicator	2021 baseline	2022	2025 Target
The total water consumption intensity (m^3/GWh)	9.15	10.07	To reduce water consumption intensity in m^3/GWh of the total amount of wind power generated by 5% by 2025, with 2021 as the base year.

A2.5 Packaging Material

The Group did not consume any packaging materials during the Reporting Period.

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The Group realises the responsibility of minimising the adverse impacts on the environment and natural resources through its business operations, and strives to improve and review the environmental measures continuously in order to achieve its best performance of GHG and waste reduction in the long term.

The Group has adopted various environmental protection measures during the construction and operation stages of wind farms. The development and operation of wind farms may cause negative impacts on the ecological environment and nearby residents. For instance, the operation may cause noise pollution, use of land space and marine space. As such, in the course of site selection and construction of a wind farm, the Group will carry out a practical assessment, which considers 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 comply with national environmental protection policies. The Group also abides by the operational requirements, national laws and regulations in order to minimise the potential environmental impact and maximise the benefit of clean wind power.

The Group encourages green procurement strategies by prioritising the use of refrigerators and other electrical equipment with energy efficiency labels, using various environmentally friendly materials such as reusable ink cartridges, recycled papers and secondhanded furniture in order to avoid consumption of excessive resources.

A4. Climate Change

A warming planet creates a wide range of risks for businesses, from disrupted supply chains to rising insurance costs to labour challenges. With the increasing threat of climate change and the associated physical damage, change in market perception and shift in preference of the public towards more environmentally friendly products and services, the financial, reputational and strategic risk implications are becoming increasingly prominent. Climate change will undoubtedly be of increasing concern to the Group and industry as a whole for the foreseeable future. The Group has identified the climate-related risks and opportunities by using the following matrix.

Table 6 Physical and Transition Risks

Climate-related Risk	Time Horizon	Potential financial impacts	Risk level	Trend
		Physical Risks		
Extreme weather	Short term Long term	• Extreme weather events, such as typhoons, storm surges and rainstorms, may cause physical damage to infrastructure, and failure of technology and equipment incur costs on recovery and repair. Recovery and repair can take months or even years. • The Group's capacity and productivity will be reduced under extreme weather events, which leads to a direct negative impact on the Group's revenue.	Medium	Increase
		Transition Risks		
Tightening of climate-related policies	Long term	Tightened environmental policies increase the cost of fulfilling such requirements. It might also raise the operating costs, insurance costs and penalties for noncompliance, such as the change of policies may increase the costs of handling hazardous wastes.	Low	Increase
Cost to transition to lower emissions technology	Long term	Substitution of existing technology and equipment with lower emissions or resource-saving options to comply with the new energy and sustainability standards incur investment and maintenance costs.	Low	Increase
Changing customer behaviour	Medium term	A change in customer or user behaviour and preferences leads to a loss in customer and income if there is a failure to meet stakeholders' expectations on climate risk management and goals.	Low	Increase
Reputation Risk	Medium term	The change in customer or user preferences may increase the chance of receiving negative stakeholder feedback about the existing services. It may affect the reputation of the Group.	Low	Increase

Measures to cope with the climate-related physical and transition risks

1. During extreme weather events, employees are advised to remain in a safe place until it is safe to resume normal activities. The Group continues to enhance internal awareness and training for the Group's professionals regarding climate risk so that the ability of the Group to cope with the negative impacts of extreme weather can be strengthened.

2. The Group has established mitigation plans including flexible working arrangements, and precautionary measures such as regular inspection of office premises.

3. The Group maintains comprehensive insurance coverage for assets that are prone to damage by extreme weather conditions in order to minimise the potential maintenance and repair costs required.

4. The Group adopts industry best practices according to the potential climate-related risks identified, which aims to improve energy efficiency throughout the Group's operation. All internal professionals and frontline staff are encouraged to focus on the daily procedure to achieve the objective of climate change mitigation.

5. The Group regularly researches stakeholders' preferences on climate-related performance and disclosure and ensures transparent communication with stakeholders.

6. The Group monitors any changes in laws, regulations and global trends on climate change constantly to avoid cost increments, non-compliance fines and reputational risks due to delayed response.

Opportunity

While there are climate-related risks that the business of the Group is vulnerable to in general, the Group continuously explores opportunities brought about by climate change. With the increasing market preference for environmentally friendly products and services, it is believed that expanding the Group's business is an opportunity to meet the market expectation as the Group's business nature is generating renewable wind power.

B. Social

The Group's achievement over the business performance is largely rooted in 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 the recruitment platform, providing attractive remuneration packages 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. The human resources committee will review and improve employment-related policies and ensure they comply with local laws and regulations. The Group also ensures employment practices are aligned with the set of legal requirements and industrial standards.

The Group strictly complies with national and local laws and regulations concerning employment and labour practices, including but not limited to:

- Labour Law of the PRC;
- Labour Contract Law of the PRC;
- Law on the Protection of Minors;
- Law on the Protection of Disabled Persons; and
- Employment Ordinance of Hong Kong

No non-compliance with relevant laws and regulations that had a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Period.

B1. Employment

As of 31 December 2022, Hongsong had a total number of 95 employees. All the employees of Hongsong are full-time workers. The breakdown of employees according to employment type, employee category, age group, gender and region is as follows.

Employment Data by Employment Type, Employee Category, Age Group, Gender and Region

	Number of Employees	Percentage %
Total number of employees	95	95
Employment type		
Full-time	95	100%
Part-time	0	0%
Employee category		
Senior management	2	2%
Middle management	7	7%
Frontline and other staff	86	91%

	Number of Employees	Percentage %
Age group		
18–25	0	0%
26–35	22	23%
36–45	69	73%
46–55	4	4%
56 or above	0	0%
Gender		
Male	79	83%
Female	16	17%
Geographical Region		
Mainland China	95	100%

There was no employee left Hongsong during the Reporting Period, with a turnover rate of 0%.

Inclusive Workplace

The Group is committed to creating a working environment of mutual respect, harmonious inclusiveness and safety. Non-discrimination and diversification are important to its management and operation planning. The Group's Employee Handbook has clearly stated 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.

The Group has adopted diversity and non-discriminatory policies to ensure that each job applicant is entitled to his or her respective rights. Employees are recruited according to the employment procedures and standards as stipulated in the Group's systems and laws and regulations relating to employment and labour practices.

Any employee who is intimidated, humiliated, bullied or harassed, including sexual harassment, may report to the management representative or the general manager, and the complaints will be filed. The Group will take serious actions to resolve these problems after receiving the complaints.

The Group has zero tolerance for any form of harassment, intimidation, bias and discrimination on the grounds of age, gender, disability, religion, family status and obligations, race and colour.

Employees Communication

The Group believes that the cohesion between the Group and its employees serves as an important driver for its business development. Therefore, the Group uses electronic channels and notice boards for announcing the latest information to employees regularly, and employees can express their suggestions freely in any communication channel.

Recruiting and Retaining Talents

In order to ensure the sufficient qualified individuals are recruited for corporate development, the Group reviews its human resources demand regularly and discusses the issues about talent requirements with department heads. Furthermore, the Group emphasises conducting a fair and impartial appraisal of its employees' performance. In order to evaluate employee performance and provide an unbiased and reliable basis for remuneration decisions, education and training, promotion, reward and recognition, the Group has established Administrative Measures on Employee Performance.

Labour Contract Management

The Labour contracts Management Methods formulated by the Group comply with the national laws and regulations relating to labour practices, including but not limited to the Labour Law of the PRC and the Labour Contract Law of the PRC. The Labour contract management of the Group included signing and termination of Labour contracts, and regulated positions, working hours, remuneration and benefits of the employees clearly in the purpose of ensuring the Labour standards. Any overtime arrangement must be made under the principle of negotiation between the company and the employees and the employees' voluntary principle. The Group performs the procedure of retirement formalities for employees who have reached the statutory retirement age and dismissal procedures in accordance with the relevant laws and regulations. The Group does not tolerate the dismissal of employees for any irrational reasons. In the event of a work-related accident, the Group will make reasonable compensation. During the Reporting Period, the Group complied with employment-related laws and regulations.

Employee Treatment

The Group has developed a comprehensive salary review mechanism. In order to provide employees with fair and competitive compensation packages, The Group consider the research findings for a salary review in the job market in addition to business performance, employee duties, and their annual performance appraisals.

The Attendance Management System has been formulated in accordance with relevant national regulations to ensure that the working routine of employees is operated systematically. This system is utilized to reinforce labour discipline, improve labour efficiency, and protect employees' right to rest periods and vacations.

The Group has developed employee welfare policies in compliance with PRC Labor Law and standards stipulated by the Ministry of Human Resources and Social Security. In accordance with laws and regulations, the Group offers five social insurance and one housing fund for its employees in the PRC. These five social insurances are endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund. During the Reporting 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. Duration and remuneration levels for periods of medical treatment, pregnancy, childbirth and lactation are all complied with relevant laws and regulations.

B2. Employee Health and Safety

The Group cares about the health, safety and security of all the staff, and strives to protect the physical and mental health, safety and security of employees. The Group strictly complies with the relevant laws and regulations including but not limited to:

- Labour Law of the PRC;
- Law of the PRC on the Prevention and Treatment of Occupational Diseases;
- Fire Protection Law of the PRC; and
- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong).

The Group has implemented the following occupational health and safety systems in accordance with the above-mentioned laws and the standards relating to occupational health and safety in the wind power industry:

- Safety Education and Training System;
- Work Safety Supervision System;
- Safety Hazard Screening System;
- Labour Protection System; and
- Occupational Health Inspection System.

The Group set up the Work Safety Supervision System and assigned dedicated staff to handle the Group's occupational health and safety issues and to ensure effective work safety supervision. In order to reduce the amount of work-related accidents, the Group conducts meetings regularly to discuss environmental, safety, and health issues as well as to review the effectiveness of the occupational health and safety systems. The Safety Hazard Screening System is utilized to screen the accident risks in the Group's workplaces and equipment, and occupational health and safety problems are rectified in accordance with the applicable national laws.

The Group has also formulated the Labour Protection System to protect the safety and health of its employees effectively. Employees are provided with protective equipment including safety helmets, insulated boots and dust masks in keeping with work-safety-related legislations to further protect employees from work-related accidents.

In addition, the Group has organised various occupational health and safety training programs during the Reporting Period to enhance the health and safety awareness of its employees and contractors. The Safety Education and Training System formulated by the Group 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. The Group strives to arrange regular health and safety training for employees by the principle of "training before work begins", and incorporated safety training into its annual training programme.

Responses to the COVID-19 pandemic

During the COVID-19 pandemic, the Group has taken the following measures to protect employees:

- Issued a memorandum to its employees to remind them of the importance of maintaining personal hygiene;
- Conducted additional sanitation procedures to the windfarm and the Group's premises;
- Required employees and visitors to measure their body temperature before entering the Group's premises;
- Required all employees and visitors to wear facial masks; and
- Provided alcohol-based sanitisers to everyone entering the Group's premise.

The number of Work-Related Fatality and Fatality Rate, Injury Cases, Lost Days

	2022	2021	2020
The number of work-related fatalities	0	0	0
Work-related fatality rate	0%	0%	0%
Work-related injury cases	0	0	0
Lost days due to work-related injury	0	0	0

There were no work-related fatalities and lost days due to work-related injury in the past 3 years, including the Reporting Period. The Group will evaluate the current work safety measures continuously to ensure employees work in a healthy and safe condition.

B3. Development and Training

The Group is concerned about common growth and development opportunities of employees, so the corresponding skills improvement and development training are provided for different types of work and job positions. In order to ensure that the employee training is organized systematically, to guarantee that all employees possess the essential knowledge and abilities, and to encourage them to participate in professional certification and evaluation, the Group has formulated relevant training policies.

The Group organises orientation training to support new employees in adapting to the working environment and integrating into the Group's culture more rapidly. The Group has also adopted a scheme of veteran employees to guide new employees to daily work. Through the 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 employees gain job satisfaction and have better achievement. Employees may attend external training courses which approved by the department head, and they may apply for reimbursement of training expenses.

As of 31 December 2022, Hongsong provided over 1,966 training hours to a total of 59 employees (inclusive of employees who have left the Group during the Reporting Period). The average training hours per employee was 20.69 hours. The number of employees who received training and average training hours completed are as follows.

Number of Employees who Received Training and Average Training Hours Completed

Total number of trained employees	59
Total training hours for all employees	1,966
Average training hours per employee employed	20.69
By Employee Category	
Number of trained Senior Management	0
Average training hours per senior management employee employed	0
Number of trained Middle Management	4
Average training hours per middle management employee employed	19.04
Number of trained Frontline and other Staff	55
Average training hours per frontline and other employee employed	21.31
By Gender	
Number of trained Male employees	54
Average training hours per male employee employed	22.78
Number of trained Female employees	5
Average training hours per female employee employed	10.41

*Note 12: The average training hours per employee was calculated by (Total no. of training hours during the Reporting Period/no. of employees as of 31 December 2022)*100%.*

Percentage of Employees Who Received Training

	Percentage %
Total percentage of trained employees	62%
By Employee Category	
Senior management	0%
Middle management	57%
Frontline and other Staff	64%
By Gender	
Male	68%
Female	31%

*Note 13: The percentage of employees who received training was calculated by (Total no. of the trained employees during the Reporting Period/no. of employees as of 31 December 2022)*100%.*

B4. Labour Standards

Child and forced Labour is strictly prohibited within the Group. The Group strictly observes applicable laws and regulations regarding employment and Labour standards, such as the Labour Law of the PRC, the Provisions on Prohibiting the Use of Child Labour, the Labour Contract Law of the PRC and the Law on the Protection of Minors.

The Group only recruits employees who are over the legal working age, and new employees are required to provide true and accurate personal data. Furthermore, background checks will be conducted during the recruitment process in order to ensure the identity of the employees before they are employed. If the violation is found, disciplinary actions will be taken when necessary. The Group regularly review above employment practices to prevent child and forced labour.

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

No non-compliance with relevant laws and regulations relating to preventing child and forced labour was identified during the Reporting Period. There were no major risks associated with incidents of child and forced labour within the Group's operation sites. No child or forced labour was hired in the Group.

Operating Practices

B5. Supply Chain Management

Selection Criteria

The Group adopts comprehensive supplier selection criteria. The Business Department verifies suppliers' legal and regulatory compliance before engaging their services. The steps include verifying their legal entity qualification, rights and legitimacy to undertake the supply contract, and 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.

Bidding standards

In order to comply with national laws and regulations, the Group'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

The Group works together with its suppliers to mitigate environmental and social impacts induced by business operations. The Group has created a comprehensive assessment system for the sake of assuring social responsibility is adhered to. Also, the Group verified the suitability of approved suppliers and subcontractors annually in terms of quality of services and products, safety and environmental performance, labour standards and financial status. The priority is given to eco-friendly raw materials, services and recyclable products. The Group maintains good cooperation with suppliers to minimize carbon footprint in the procedures of procurement.

During the Reporting Period, the total number of suppliers of Hongsong was 65, and all of them were from Mainland China.

B6. Product Responsibility

In order to ensure the stability and reliability of services, the protection of intellectual property rights and data protection, the Group complies with the following laws and regulations, including but not limited to:

- Trademark Law of the PRC;
- Patent Law of the PRC;
- Law of the PRC on the Protection of Consumer Rights and Interests;
- Product Quality Law of the PRC; and Advertising Law of the PRC.

There was no non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress in the Reporting Period.

Quality Control and Assurance

As the Group'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; and
- 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.

To ensure that the products produced comply with the industry and national safety standards, the Group conducts product testing effectively. The 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 the public supply network, temporary and transient overvoltage. The Group also makes adjustments timely on serious problems according to the feedback from the power grid, and provides adjustment reports when necessary to ensure that only the products which meet the quality and technical requirements can be delivered to customers.

There were no product recalls or service complaints due to health and safety reasons received during the Reporting Period.

Customer Satisfaction

Customer satisfaction has become the cornerstone of the success of the Group. The Group strives to respond to its customer's expectations by improving the performance of all aspects of its business. The Group has formulated the code of practices to provide guidelines for employees to improve customer service processes. In order to collect valuable feedback from customers, the Group has invited its customers to complete a customer satisfaction survey. Meanwhile, the management team advises the improvement of the Group's service according to customers' feedback and suggestions. If there are any quality and safety concerns arise, the Group will carry out extensive investigations to discover the causes of the problems and develop measures to mitigate and prevent the recurrence of defects and incidents.

Intellectual Property Rights

The Group recognises its responsibility to protect its intellectual property rights, including patents, copyrights, trademarks, service marks, research and development achievements, trade secrets, technical data and other related rights. All the purchased products are attached with identification labels in the procurement process to ensure they are genuine products.

Data Protection

The Group strictly implements the policy of protecting personal information, as maintaining confidentiality is vital for building trust between the Group and its stakeholders. The Group improves its information technology infrastructure regularly, provides encryption for all customer information and sets strict authority for access to and use of such information. Furthermore, any illegal use of the customer information is prohibited. During the Reporting Period, the Group did not receive any complaint relating to proven breach of customer privacy or loss of customer information.

B7. Anti-corruption

The Group regards honesty, integrity, and fairness as its core values, so the related national laws and regulations are strictly complied with, including but not limited to:

- Criminal Law of the PRC;
- Company Law of the PRC;
- Anti-Money Laundering Law of the PRC; and
- Law Against Unfair Competition of the PRC.

The Group had no non-compliance with relevant laws and regulations of bribery, extortion, fraud and money laundering and no concluded legal cases regarding corrupt practices during the Reporting Period.

The anti-corruption measures are carried out in accordance with all relevant laws and regulations. The Group has formulated the internal code of business ethics, which provides guidance to interact with stakeholders so as to ensure proper conduct in all aspects of the Group's operations. The internal code of business ethics outlines all the policies, practices, and rules relating to dealing with gifts, treats, transactions and financial management. In addition, the Group requires its employees to refrain from excessively lavish or frequent hospitality with business partners to avoid deliberate enticement or future demands of inappropriate reciprocation.

Whistle-blowing Policy

The Group is committed to the highest possible standards of openness and accountability, as well as preventing, detecting and reporting any fraud. A whistle-blowing policy has been established for employees and stakeholders to voice their concerns about suspected fraud.

Whistle-blowers can provide details of concerns about the suspected cases through mail, email and telephone anonymously. Any received report will be undergoing investigation and all the detailed information of the reported case will be handled confidentially. The Group recognises that protecting whistleblowers is important in reporting and investigation procedure of corruption. The Group prohibits any unlawful discrimination or retaliation, or hostile measures against investigators and whistle-blowers.

Anti-corruption training

In order to strengthen the awareness of anti-corruption in the workplace, the Group carries out effective communication and training within the Group to ensure that employees understand the concepts involved in the code of conduct, and help employees identify legal and illegal concepts, ethical and dishonest behaviour.

During the Reporting Period, the reading material "Anti-corruption Programme-A Guide For Listed Companies" published by ICAC has been shared with all Directors. Due to the COVID-19 pandemic, employees attended online anti-corruption training instead of face-to-face training sessions.

B8. Community Investment

The Group contributes to the community by actively reaching out to the community during the Reporting Period. It is believed that participating in these activities can develop positive value in helping people and our society. The Group participates in the activities organized by the community groups which share a similar value with the Group's corporate responsibility, and makes great effort to respond to the needs of the community. The Group's area of contribution focused strongly on the local community needs. Due to the COVID-19 pandemic, the Group did not organise community services during the Reporting Period. However, as our society is gradually resumed from the pandemic, the Group plans to arrange voluntary activities in the following reporting period.

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 94 to 191, which comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

Our qualified opinion

In our opinion, except for the possible effects on the comparability of the current year's figures and the corresponding figures of the matter 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 2022, 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

Comparability of the current year's figures and the corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and the consolidated statement of changes in equity

The Group has the interest in an associate, the amount due from an associate and certain other receivables which are further described in Note 18 and Note 24 to the consolidated financial statements for the year ended 31 December 2022. 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 have previously qualified their opinion due to a limitation on the scope of their audit in relation to the carrying amounts of: (i) the interest in an associate; (ii) the amount due from an associate and (iii) certain other receivables, 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, the amount due from an associate carried at RMBNil and these other receivables carried at approximately RMB78,423,000 and the corresponding share of losses of associates of approximately RMB92,803,000, expected credit losses on amount due from an associate of approximately RMB29,187,000 and expected credit losses on these other receivables of RMBNil recognised respectively for the year ended 31 December 2020. During the year ended 31 December 2021, as further set out in Note 18 and Note 24 to the consolidated financial statements for the year ended 31 December 2022, the Group has made full provision for these other receivables. Our audit opinion on the consolidated financial statements for the year ended 31 December 2021 was qualified because of the limitation in scope on the opening balances of the interest in an associate, the amount due from an associate and these other receivables as at 1 January 2021, which could have a significant consequential impact to the share of losses of associates, the expected credit losses on amount due from an associate and the expected credit losses on these other receivables included in the Group's consolidated losses for the year ended 31 December 2021.

Because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2021 in the consolidated statement of profit or loss and the consolidated statement of changes in equity and the related notes disclosures, our opinion on the consolidated financial statements for the year ended 31 December 2022 is therefore qualified.

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

— provision for expected credit losses ("**ECL**") on other receivables.

Key Audit Matters	How our audit addressed the 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 RMB878,931,000 as at 31 December 2022, of which construction in progress ("**CIP**") amounted to approximately RMB37,329,000 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 Group recognised the impairment loss on a wind farm project in Baotou City of Inner Mongolia under CIP ("**Baotou Project**") due to the supplier was in financial difficulties and failed to deliver certain machineries and equipments for the construction in Baotou Project. In addition, there was no further development in the construction of Baotou Project during the year ended 31 December 2022, and this represented an impairment indicator 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**").	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 CGUs determination and impairment indicator identification by: – Enquiring of management on their basis of identifying impairment indicators; and – Challenging the judgment 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	How our audit addressed the Key Audit Matters
Preparation of DCF required the use of many assumptions and management, with the assistance of an independent external valuer, exercised significant judgment 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 RMB20,583,000 on property, plant and equipment of that CGU was recognised for the year ended 31 December 2022. 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.	• 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 information; 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 judgment and assumption 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	How our audit addressed the Key Audit Matters
Provision for ECL on 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 2022, the Group had carrying amounts of other receivables of approximately RMB357,911,000 (after provision of approximately RMB281,075,000), representing approximately 17.8% of the Group's total assets. The Group applies the general approach in HKFRS 9 to measure the ECL of other receivables. Management assessed the ECL based on estimation about risk of default, expected loss rates and whether there has been any significant increase in credit risk since initial recognition for other receivables. The Group used judgement 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. 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 on other receivables.	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 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; • Tested, on a sample basis, the historical and subsequent 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 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 provision for ECL on 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. We have nothing to report in this regard.

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, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	6	**304,443**	352,407
Cost of sales	9	**(240,329)**	(239,637)
Gross profit		**64,114**	112,770
Interest income		**9,691**	13,577
Other income	7	**21,397**	21,767
Other gains, net	8	**16,402**	2,635
Administrative expenses	9	**(62,526)**	(71,559)
Provision for expected credit losses on other receivables	24	**(27,503)**	(234,171)
Impairment loss on property, plant and equipment	16	**(20,583)**	(40,657)
Operating profit/(loss)		**992**	(195,638)
Finance costs	11	**(156,469)**	(146,663)
Share of losses of associates	18	**(578)**	(148)
Share of loss of a joint venture	19	**—**	(154)
Loss before income tax		**(156,055)**	(342,603)
Income tax expense	12	**(5,965)**	(16,075)
Loss for the year		**(162,020)**	(358,678)
Loss for the year attributable to:			
— the owners of the Company		**(154,448)**	(368,557)
— non-controlling interests		**(7,572)**	9,879
		(162,020)	(358,678)
Loss per share attributable to the owners of the Company (in RMB)			
Basic	13	**(0.077)**	(0.186)
Diluted	13	**(0.078)**	(0.186)

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 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Loss for the year		**(162,020)**	(358,678)
Other comprehensive (loss)/income			
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**")		**(48,183)**	23,073
Item that may not be reclassified to profit or loss:			
Exchange difference arising on translation of financial statements of the Company		**11,497**	(6,477)
Change in fair value of financial assets at fair value through other comprehensive income	21	**6,302**	(1,676)
Other comprehensive (loss)/income for the year, net of tax		**(30,384)**	14,920
Total comprehensive loss for the year		**(192,404)**	(343,758)
Total comprehensive loss for the year attributable to:			
— the owners of the Company		**(186,662)**	(353,150)
— non-controlling interests		**(5,742)**	9,392
		(192,404)	(343,758)

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 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**878,931**	1,063,660
Right-of-use assets	17	**20,247**	25,382
Interests in associates	18	**2,036**	2,614
Financial assets at fair value through other comprehensive income	21	**12,791**	6,489
Financial assets at fair value through profit or loss	22	**4,260**	5,225
Prepayments and other receivables	24	**184,026**	168,499
		1,102,291	1,271,869
Current assets			
Inventories	23	**619**	680
Trade and other receivables	24	**482,135**	719,475
Financial assets at fair value through profit or loss	22	**2,327**	1,688
Cash and cash equivalents	25	**420,843**	243,295
		905,924	965,138
Total assets		**2,008,215**	2,237,007
EQUITY			
(Deficit)/equity attributable to the owners of the Company			
Share capital	27	**17,884**	17,286
Reserves	28	**(91,787)**	55,236
		(73,903)	72,522
Non-controlling interests		**189,060**	208,666
Total equity		**115,157**	281,188

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*17*	**3,428**	894
Borrowings	*31*	**1,400,619**	1,120,916
Deferred income tax liabilities	*26*	**9,221**	14,090
Deferred income	*32*	**—**	607
		1,413,268	1,136,507
Current liabilities			
Trade and other payables	*30*	**151,366**	230,270
Borrowings	*31*	**322,451**	582,801
Lease liabilities	*17*	**3,703**	1,199
Current income tax liabilities		**2,270**	4,962
Deferred income	*32*	**—**	80
		479,790	819,312
Total liabilities		**1,893,058**	1,955,819
Total equity and liabilities		**2,008,215**	2,237,007

The consolidated financial statements on pages 94 to 191 were approved by the Board of Directors on 31 March 2023 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 2022

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Statutory reserves	Translation reserve	Convertible bonds reserve	Fair value reserve	Share options reserve	Warrants 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*	*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	10,300	13,366	(1,605,892)	72,522	208,666	281,188

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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 options reserve *RMB'000*	Warrants reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022	17,286	1,492,149	91,561	36,521	17,047	184	10,300	13,366	(1,605,892)	72,522	208,666	281,188
Comprehensive loss												
Loss for the year	–	–	–	–	–	–	–	–	(154,448)	(154,448)	(7,572)	(162,020)
Other comprehensive (loss)/ income												
Exchange difference arising on translation of foreign operations	–	–	–	(36,686)	–	–	–	–	–	(36,686)	–	(36,686)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	4,472	–	–	–	4,472	1,830	6,302
Total comprehensive (loss)/ income for the year	–	–	–	(36,686)	–	4,472	–	–	(154,448)	(186,662)	(5,742)	(192,404)
Transactions with owners												
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(14,350)	(14,350)
Transfer to statutory reserves	–	–	1,469	–	–	–	–	–	(1,469)	–	–	–
Redemption of convertible bonds	598	10,040	–	–	(17,047)	–	–	–	17,047	10,638	–	10,638
Issuance of convertible bonds	–	–	–	–	29,654	–	–	–	–	29,654	–	29,654
Non-controlling interest on capital contribution of a subsidiary	–	–	–	–	–	–	–	–	–	–	1	1
Changes in ownership interest in subsidiaries that do not result in loss of control (Note 36(a) and Note 36 (c))	–	–	–	–	–	–	–	–	(55)	(55)	7,307	7,252
Disposal of a subsidiary (Note 36(b))	–	–	–	–	–	–	–	–	–	–	(6,822)	(6,822)
At 31 December 2022	17,884	1,502,189	93,030	(165)	29,654	4,656	10,300	13,366	(1,744,817)	(73,903)	189,060	115,157

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 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**376,756**	168,019
The PRC corporate income tax paid		**(13,673)**	(33,217)
Net cash generated from operating activities		**363,083**	134,802
Cash flows from investing activities			
Payments for property, plant and equipment		**(828)**	(29,369)
Proceeds on disposal of property, plant and equipment		**74**	—
Net cash inflow arising on disposal of a subsidiary	36(b)	**5,994**	—
Settlement of payable for acquisitions of a subsidiary		**—**	(5,199)
Payments for investments		**(6,201)**	(25,079)
Increase in loan receivables		**(422)**	(5,988)
Placement of deposit for other loans		**(2,200)**	—
Interest received		**9,691**	13,577
Payment for acquisition of a subsidiary, net of cash acquired	35	**—**	(14,303)
Net cash generated from/(used in) investing activities		**6,108**	(66,361)
Cash flows from financing activities			
Capital contribution of a subsidiary from non-controlling interests		**1**	—
Redemption of convertible bonds	33(b)	**(1,504)**	—
Proceeds from new bank loans and other loans	33(b)	**111,119**	50,000
Proceeds from issue of warrants	29(b)	**—**	4,801
Repayment of notes payables	33(b)	**(11,739)**	(68,504)
Repayment of bank loans and other loans	33(b)	**(141,479)**	(454,411)
Repayment of bonds	33(b)	**(21,459)**	(83)
Principal elements of lease payments	33(b)	**(2,341)**	(12,425)
Interest elements of lease payments	33(b)	**(234)**	(41)
Other borrowing costs paid	33(b)	**(117,160)**	(136,908)
Dividend paid to non-controlling interests		**(7,441)**	(66,134)
Net cash used in financing activities		**(192,237)**	(683,705)
Net increase/(decrease) in cash and cash equivalents		**176,954**	(615,264)
Cash and cash equivalents at the beginning of the year		**243,295**	858,837
Effect of foreign exchange rate changes		**594**	(278)
Cash and cash equivalents at the end of the year	25	**420,843**	243,295

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 are 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 is carried at fair value.

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 2022:

Annual Improvements Project	Annual Improvements 2018–2020 Cycle (amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments (amendments)
HKFRS 16	Covid-19-Related Rent Concession beyond 2021 (amendments)
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 — Merger Accounting for Common Control Combinations

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
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 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current (amendments)	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with Covenants (amendments)	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (amendments)	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, amendments and interpretations are not expected to have a material financial impact on the Group in the future reporting periods and on foreseeable future transactions. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements. 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 statement of financial position 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 Company. 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 subsidiaries. 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 profit 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, 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 fixtures	3 to 10 years	5% to 10%
Motor vehicles	5 to 8 years	5% to 10%

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

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, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 (iii) below), after initially being recognised at cost.

(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, net" in the consolidated statement of profit or loss as applicable.

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 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits *(continued)*

(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.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Provisions *(continued)*

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.

Borrowings are removed from the statement of financial position 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 capitalisation.

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

2.22 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in convertible bonds equity reserves. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method.

The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Revenue recognition *(continued)*

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.

2.24 Other income

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.

2.25 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Leases *(continued)*

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.

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.

2.27 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.

2.28 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.

2.29 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

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.

3.1 Financial risk factors

(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% (2021: 5%) higher/lower, loss for the year would have decreased/increased by approximately RMB116,000 (2021: approximately RMB84,000).

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 3.3.

(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 functional 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 variable-rate borrowings had been 100 (2021: 100) basis points higher/lower and all other variable were held constant, increase/decrease the Group's loss after taxation by approximately RMB8,726,000 (2021: approximately RMB8,804,000).

(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 banks is assessed to be immaterial and no provision was made as at 31 December 2022 and 2021.

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 2022 and 2021, the Group has concentration of credit risk as approximately 100% and 99%, respectively, of its trade receivables were due from the Group's largest customer, which was state-owned enterprise.

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.

	Unbilled	Within 90 days past due	More than three months but within one year	More than one year	Total
At 31 December 2022					
Weighted average expected loss rate	0%	0%	0%	99%	
Receivable amount *(RMB'000)*	115,318	21,498	—	2,047	138,863
Loss allowance *(RMB'000)*	—	—	—	(2,030)	(2,030)
	115,318	21,498	—	17	136,833
At 31 December 2021					
Weighted average expected loss rate	**0%**	**0%**	**0%**	**98%**	
Receivable amount *(RMB'000)*	**295,695**	**47,943**	**1,455**	**2,066**	**347,159**
Loss allowance *(RMB'000)*	**—**	**—**	**—**	**(2,030)**	**(2,030)**
	295,695	**47,943**	**1,455**	**36**	**345,129**

As at 31 December 2022, save for the trade receivables from the customer who is not the grid company with the gross amount of approximately RMB2,047,000 (2021: approximately RMB2,066,000), the management 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 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 this customer is not significant and does not expect any losses from non-performance by the customer. Therefore, as at 31 December 2022, save for the trade receivables from the customer who is not the grid company with the gross amount of approximately RMB2,047,000 (2021: approximately RMB2,066,000), ECL rate of trade receivables are assessed to be close to zero and no provision was made as at 31 December 2022 (2021: 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.
- 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

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

Impairment of Financial Assets (continued)

(iii) Other receivables *(continued)*

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 2022, 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*	Total *RMB'000*
As at 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 and 1 January 2022	**187,438**	**77,431**	**29,187**	**294,056**
Increase in the allowance recognised in consolidated statement of profit or loss during the year	**17,810**	**9,693**	**—**	**27,503**
Disposal of a subsidiary	**(2,475)**	**—**	**—**	**(2,475)**
Write off	**(19,276)**	**(22,211)**	**—**	**(41,487)**
Exchange realignment	**3,470**	**8**	**—**	**3,478**
As at 31 December 2022	**186,967**	**64,921**	**29,187**	**281,075**

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

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

Impairment of Financial Assets (continued)

(iii) Other receivables *(continued)*

As at 31 December 2022, certain other receivables with the gross carrying amount of approximately RMB176,259,000 (2021: approximately RMB178,270,000) were credit-impaired because they were default of payments from the counterparties. Of which some other receivables as at 31 December 2022 with the gross carrying amount of approximately RMB116,493,000 (2021: approximately RMB113,023,000) were due from Suzlon Energy (Tianjin) Limited* (蘇司蘭能源(天津)有限公司) ("**Suzlon**") which was in financial difficulties. Please refer to Note 24 for further details. Such receivables were assessed for ECL individually and measured at lifetime ECL. An impairment loss of approximately RMB15,256,000 (2021: approximately RMB164,982,000) was recognised for the year ended 31 December 2022.

As at 31 December 2022, certain other receivables with the gross carrying amount of approximately RMB22,297,000 (2021: approximately RMB14,167,000) were assessed individually and measured at lifetime ECL and the Group has recognised impairment charge of approximately RMB2,701,000 during the year ended 31 December 2022 (2021: approximately RMB2,603,000). Management considers there is a significant increase in credit risk on these balances.

As at 31 December 2022, certain loan receivables with the gross carrying amount of approximately RMB32,250,000 (2021: approximately RMB47,211,000) were credit-impaired because they were default of payments from the counterparties for years and the counterparties were in financial difficulties. Such receivables were assessed for ECL individually and measured at lifetime ECL. An impairment loss of approximately RMB5,918,000 (2021: approximately RMB29,800,000) was recognised for the year ended 31 December 2022.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

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

Impairment of Financial Assets (continued)

(iii) Other receivables *(continued)*

As at 31 December 2022, certain loan receivables with the gross carrying amount of approximately RMB166,472,000 (2021: approximately RMB159,740,000) were assessed individually and measured at lifetime ECL and the Group has recognised impairment charge of approximately RMB3,526,000 during the year ended 31 December 2022 (2021: approximately RMB29,348,000). Management considers there is a significant increase in credit risk on these balances.

As at 31 December 2022, the amount due from an associate with the gross carrying amount of approximately RMB29,187,000 (2021: approximately RMB29,187,000) were credit-impaired because the associate was in financial difficulties. Please refer to Note 18 for further details. Such receivables were assessed for ECL individually and measured at lifetime ECL.

The remaining other receivables and loan receivables are separately assessed. Management considers that the credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate, adjusted by current and forward looking information, but the reversal of impairment charges on the remaining other receivables of approximately RMB147,000 and the impairment charges on the remaining loan receivables of approximately RMB249,000, respectively, are based on the 12-month ECL for the year ended 31 December 2022 (2021: impairment charges on the remaining other receivables and loan receivables of approximately RMB6,566,000 and RMB872,000, respectively).

During the year ended 31 December 2022, the Group considered the other receivables and loan receivables of approximately RMB19,276,000 and RMB22,211,000, respectively, (2021: approximately RMB4,360,000 and nil, respectively), which were fully impaired in the previous years, are not recoverable and had written off the entire amounts.

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 or on demand *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 2022						
Trade and other payables	**150,134**	**—**	**—**	**—**	**150,134**	**150,134**
Borrowings:						
— Bank loans, secured	**8,260**	**—**	**—**	**—**	**8,260**	**8,000**
— Bonds	**76,510**	**46,143**	**26,585**	**—**	**149,238**	**142,666**
— Notes payables	**59,107**	**—**	**—**	**—**	**59,107**	**59,107**
— Convertible bonds	**31,518**	**31,518**	**378,214**	**—**	**441,250**	**302,619**
— Other loans	**251,549**	**217,079**	**521,828**	**545,676**	**1,536,132**	**1,210,678**
Lease liabilities	**3,978**	**3,033**	**505**	**—**	**7,516**	**7,131**
	581,056	**297,773**	**927,132**	**545,676**	**2,351,637**	**1,880,335**
As at 31 December 2021						
Trade and other payables	222,245	—	—	—	222,245	222,245
Borrowings:						
— 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

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 2022, the Group's strategy remained unchanged from 2021.

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 2022 and 2021 were as follows:

	2022	2021
	RMB'000	*RMB'000*
Borrowings:		
Current portion	**322,451**	582,801
Non-current portion	**1,400,619**	1,120,916
Total borrowings *(Note 31)*	**1,723,070**	1,703,717
Less: cash and cash equivalents *(Note 25)*	**(420,843)**	(243,295)
Net debt	**1,302,227**	1,460,422
Total equity	**115,157**	281,188
Gearing ratio	**1,131%**	519%

The gearing ratio increased from approximately 519% as at 31 December 2021 to approximately 1,131% as at 31 December 2022 as a result of the decrease in total equity.

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).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2022 and 2021.

As at 31 December 2022	**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	**—**	**—**	**12,791**	**12,791**
Financial assets at fair value through profit or loss:				
— listed investments	**2,327**	**—**	**—**	**2,327**
— unlisted investment	**—**	**—**	**4,260**	**4,260**
	2,327	**—**	**17,051**	**19,378**

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 investments	1,688	—	—	1,688
— unlisted investment	—	—	5,225	5,225
	1,688	—	11,714	13,402

There was no transfer of financial assets and liabilities between the fair value hierarchy classification during the year ended 31 December 2022 (2021: 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

	2022	2021
	RMB'000	*RMB'000*
Opening balance	**6,489**	8,165
Fair value changes recognised in other comprehensive income	**6,302**	(1,676)
Closing balance	**12,791**	6,489
Unrealised gain/(loss) recognised in the consolidated statement of other comprehensive income attributable to balance at the end of the reporting period	**6,302**	(1,676)

Financial assets at fair value through profit or loss

	2022	2021
	RMB'000	*RMB'000*
Opening balance	**5,225**	5,225
Fair value changes recognised in profit or loss	**(965)**	—
Closing balance	**4,260**	5,225
Unrealised loss recognised in the consolidated statement of profit or loss attributable to balance at the end of the reporting period	**(965)**	—

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 2022

	Exposure	Valuation techniques	Significant unobservable input	Sensitivity on estimate	
				Estimate	Impact
	RMB'000				*RMB'000*
Unlisted equity investment at fair value through other comprehensive income	**12,791**	**Market approach**	**Earnings before interest, taxes, depreciation, and amortisation ("EBITDA")**	**+5%/-5%**	**482/(482)**
Unlisted equity investment at fair value through profit or loss	**4,260**	**Market approach**	**Revenue**	**+5%/-5%**	**273/(273)**

As at 31 December 2021

	Exposure	Valuation techniques	Significant unobservable input	Sensitivity on estimate	
				Estimate	Impact
	RMB'000				RMB'000
Unlisted equity investment at fair value through other comprehensive income	6,489	Market approach	EBITDA	+5%/-5%	877/(877)
Unlisted equity investment at fair value through profit or loss	5,225	Market approach	Revenue	+5%/-5%	821/(821)

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
— Other receivables
— Cash and cash equivalents
— Trade and other payables
— Borrowings
— Lease liabilities

3 FINANCIAL RISK MANAGEMENT *(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 2022 and 2021.

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; and (iii) pre-tax discount rates used in VIU model and FVLCD model. 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 other receivables

The Group makes provision for impairment of other 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) Income tax and deferred tax

Significant judgment is required in determining the provision for income and deferred 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 2022, the Group had one (2021: 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 is all generated from the PRC.

(b) Non-current assets

The Group's non-current assets other than 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:

	2022 ***RMB'000***	2021 *RMB'000*
Hong Kong	**2,410**	3,551
The PRC	**1,054,830**	1,230,804
	1,057,240	1,234,355

5 SEGMENT INFORMATION *(continued)*

Key Customers

For the year ended 31 December 2022, there was one customer (2021: one) which individually contributed over 10% (2021: 10%) of the Group's total revenue, the revenue contributed from this customer was as follows:

	2022	2021
	RMB'000	*RMB'000*
Customer A	**298,857**	349,993

6 REVENUE

Revenue from contracts with customers within the scope of HKFRS 15, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Recognised at a point in time:		
— Sales of electricity	**220,602**	253,816
— Tariff adjustment	**78,268**	96,179
	298,870	349,995
Recognised over time:		
— Incineration of medical wastage	**5,573**	2,412
	304,443	352,407

Revenue mainly represents the wind power electricity sales to local grid company in the PRC for the years ended 31 December 2022 and 2021.

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.

6 REVENUE *(continued)*

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 state-owned local grid company for settlement to the wind power company.

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

	2022	2021
	RMB'000	*RMB'000*
Government subsidy income related to value-added tax refund *(Note (i))*	**17,177**	19,373
Other government subsidy income *(Note (i))*	**319**	64
Rental income from operating leases	**2,306**	2,301
Deferred income	**114**	26
Compensation from insurance claims	**1,375**	—
Others	**106**	3
	21,397	21,767

Note:

(i) There are no unfulfilled conditions and other contingencies attached to the receipts of these subsidies.

8 OTHER GAINS, NET

	2022 **RMB'000**	2021 *RMB'000*
Gain on redemption of convertible bonds *(Note 31(d))*	**4,601**	—
Gain on disposal of a subsidiary *(Note 36(b))*	**3,677**	—
Loss on disposal of property, plant and equipment	**(32)**	—
Fair value loss on financial assets at fair value through profit or loss *(Note 22)*	**(370)**	(380)
Net foreign exchange gains	**627**	1
Waiver of other loans interest payables	**7,899**	2,517
Bargain purchase arising from business acquisition *(Note 35)*	**—**	542
Loss on deemed disposal of interest in a joint venture *(Note 19)*	**—**	(45)
	16,402	2,635

9 EXPENSES BY NATURE

	2022 **RMB'000**	2021 *RMB'000*
Auditor's remuneration		
— Audit services	**1,375**	1,142
— Non-audit services	**279**	148
Depreciation of property, plant and equipment *(Note 16)*	**153,390**	155,953
Depreciation of right-of-use assets *(Note 17)*	**4,167**	1,355
Employee benefit costs, including directors' emoluments *(Note 10)*	**43,277**	50,503
Legal and professional fees	**13,760**	14,011
Repair and maintenance expenses	**44,984**	44,608
Consumable expenses	**19,250**	23,220
Share-based payment arising from the issuance of non-listed warrants *(Note 29 (b))*	**—**	8,565
Others	**22,373**	11,691
Total cost of sales and administrative expenses	**302,855**	311,196

10 EMPLOYEE BENEFIT COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2022 **RMB'000**	2021 *RMB'000*
Salaries, allowances, and benefits in kind	**37,550**	34,919
Contribution to defined contribution plans	**5,727**	5,284
Share-based payment expenses *(Note 29 (a))*	**—**	10,300
	43,277	50,503

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 2022 and 2021 are set out below:

	Fees *RMB'000*	Salaries, allowances, and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Contribution to defined contribution plans *RMB'000*	Share-based payment expenses *RMB'000*	Total *RMB'000*
For the year ended 31 December 2022						
Executive directors						
Mr. Zhang Zhixiang ("**Mr. Zhang**")	**—**	**2,291**	**600**	**15**	**—**	**2.906**
Mr. Ning Zhongzhi	**—**	**783**	**40**	**—**	**—**	**823**
Mr. Li Tian Hai	**—**	**1,028**	**—**	**15**	**—**	**1,043**
Mr. Peng Ziwei	**—**	**617**	**—**	**15**	**—**	**632**
Independent non-executive directors						
Mr. Jiang Senlin	**128**	**1**	**—**	**—**	**—**	**129**
Mr. Qu Weidong	**128**	**1**	**—**	**—**	**—**	**129**
Ms. Hu Xiaolin	**128**	**1**	**—**	**—**	**—**	**129**
	384	**4,722**	**640**	**45**	**—**	**5,791**
For the year ended 31 December 2021						
Executive directors						
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

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 2022 (2021: 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 2022 (2021: 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 2022 (2021: Nil).

No payment was made to the directors as compensation for early termination of the appointment during the year ended 31 December 2022 (2021: 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 2022 (2021: 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 2022, 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 (2021: 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 2022 (2021: 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 two directors respectively, whose emoluments were reflected in the analysis presented in Note 10(a) during the year ended 31 December 2022 (2021: three). The emoluments paid/payable to the remaining include three individuals (2021: two) are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,612**	2,800
Contribution to defined contribution plans	**218**	158
Share-based payment expenses	**—**	458
	3,830	3,416

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument band		
Nil to HK$1,000,000	—	—
HK$1,000,001–HK$1,500,000	**1**	1
HK$1,500,001–HK$2,000,000	**2**	1
	3	2

During the year ended 31 December 2022, 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 (2021: Nil).

11 FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest expense on bank loans and other loans	**89,200**	74,753
Interest expense on bonds	**10,630**	15,203
Interest expense on convertible bonds *(Note 31)*	**35,398**	9,056
Default interest expense on convertible bonds	**10,522**	33,393
Interest expense on notes payables	**10,485**	14,217
Interest expense on lease liabilities *(Note 17)*	**234**	41
	156,469	146,663

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 (2021: 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 (2021: Nil).

The applicable income tax rate to the Group's PRC subsidiaries is 25% in 2022 and 2021.

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:

	2022	2021
	RMB'000	*RMB'000*
PRC Corporate income tax		
Current year	**10,302**	20,249
Withholding tax	**679**	832
Deferred income tax	**(5,016)**	(5,006)
	5,965	16,075

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

	2022	2021
	RMB'000	*RMB'000*
Loss before income tax	**(156,055)**	(342,603)
National tax on loss before taxation, calculation at the rates applicable to profits in PRC of 25%	**(39,014)**	(85,651)
Tax effect of non-taxable income	**(3,274)**	(320)
Tax effect of non-deductible expenses	**35,447**	87,994
Tax effect of tax losses not recognised	**6,277**	6,139
Tax effect of different tax jurisdictions	**5,755**	7,031
Tax effect on share of results of associates and a joint venture	**95**	50
Withholding tax	**679**	832
	5,965	16,075

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.

	2022	2021
Loss attributable to the owners of the Company *(RMB'000)*	**(154,448)**	(368,557)
Weighted average number of ordinary shares in issue *(in thousands)*	**2,011,552**	1,979,141
Basic loss per share *(RMB)*	**(0.077)**	(0.186)

(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 2022, the Group has three (2021: three) categories of potential ordinary shares: convertible bonds, share options and warrants (2021: convertible bonds, share options and warrants).

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

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.

13 LOSS PER SHARE *(continued)*

(b) Diluted loss per share *(continued)*

	2022	2021
Loss attributable to the owners of the Company *(RMB'000)*	**(154,448)**	(368,557)
Adjustments for:		
Assumed conversion of certain convertible bonds (2021: nil)		
— Interest expenses	**1,286**	—
— Gain on redemption	**(4,601)**	—
Adjusted loss attributable to the owners of the Company used to determine the diluted loss per share	**(157,763)**	(368,557)
Weighted average number of ordinary shares in issue *(in thousands)*	**2,011,552**	1,979,141
Adjustments for:		
— Assumed conversion of certain convertible bonds (2021: nil)	**20,076**	—
Weighted average number of ordinary shares used to determine the diluted loss per share	**2,031,628**	1,979,141
Diluted loss per share *(RMB)*	**(0.078)**	(0.186)

Certain convertible bonds, share options and warrants (2021: all convertible bonds, share options and warrants) 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 2022. Accordingly, diluted loss per share for the years ended 31 December 2021 is 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 2022 (2021: Nil).

15 SUBSIDIARIES

Details of principal subsidiaries at 31 December 2022 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 to the Group		Principal activities
				2022	2021	
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%	Investment holding

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 to the Group 2022	2021	Principal activities
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	**70.97%**	70.97%	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 to the Group 2022	2021	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 capital RMB19,523,450	**71.4%**	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[2]	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 capital 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 to the Group		Principal activities
				2022	2021	
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 capital RMB7,000,000	**70.97%**	70.97%	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 capital RMB6,700,000	**83.97%**	88.39%	Production of healthy products
Hongsong Renewable Energy (Dongying) Company Limited[2] 紅松新能源(東營)有限公司	The PRC	The PRC	Registered capital RMB80,000,000 and paid up capital RMBNil	**47.4%**	—	Development of renewable energy business
EBG Ruifeng (Hong Kong) Investment Limited	HK	HK	HK$100	**100%**	—	Investment holding
EBG Ruifeng Energy Trading Limited	HK	HK	HK$100	**100%**	—	Investment holding
Beijing Yong Chang Ruifeng Renewable Energy Technology Limited[1] 北京永昌瑞風新能源科技有限公司	The PRC	The PRC	Registered capital RMB50,000,000 and paid up capital RMBNil	**100%**	—	Investment holding

1 wholly-owned foreign enterprise

2 private limited liability company

3 sino-foreign equity joint venture company

^ At 31 December 2022 and 2021, the issued shares/registered capital of these companies were pledged under shares charges to secured certain 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 2022 and 2021 presented below represents the post-acquisition amounts before any inter-company elimination:

	At 31 December 2022	At 31 December 2021
Proportion of ownership interests held by the Group	**70.97%**	70.97%
Proportion of ownership interests held by NCIs	**29.03%**	29.03%

	2022 ***RMB'000***	2021 *RMB'000*
Current assets	**1,257,659**	1,167,571
Non-current assets	**873,333**	1,017,491
Current liabilities	**(178,447)**	(152,118)
Non-current liabilities	**(1,035,259)**	(1,063,311)
Net assets	**917,286**	969,633
Carrying amount of NCIs	**246,421**	256,338
Revenue	**298,870**	349,995
(Loss)/profit for the year	**(7,146)**	49,991
Total comprehensive (loss)/income	**(844)**	48,315
Total comprehensive (loss)/income allocated to NCIs	**(245)**	14,028
Dividend to NCIs	**(9,672)**	(26,022)
Cash flows generated from/(used in) operating activities	**325,732**	(295,315)
Cash flows generated from/(used in) investing activities	**23,120**	(15)
Cash flows used in financing activities	**(146,072)**	(352,173)

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Generators and related equipment *RMB'000*	Plant and machinery *RMB'000*	Equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2021							
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
Year ended 31 December 2022							
Opening net book amount	**29,123**	**959,806**	**12,315**	**3,671**	**833**	**57,912**	**1,063,660**
Additions	**—**	**—**	**—**	**129**	**1,038**	**—**	**1,167**
Depreciation	**(2,555)**	**(148,932)**	**(616)**	**(878)**	**(409)**	**—**	**(153,390)**
Disposal	**—**	**—**	**—**	**—**	**(106)**	**—**	**(106)**
Disposal of a subsidiary *(Note 36(b))*	**—**	**—**	**(11,410)**	**(265)**	**(142)**	**—**	**(11,817)**
Impairment loss	**—**	**—**	**—**	**—**	**—**	**(20,583)**	**(20,583)**
Closing net book amount	**26,568**	**810,874**	**289**	**2,657**	**1,214**	**37,329**	**878,931**
At 31 December 2022							
Cost	**52,180**	**2,316,657**	**5,125**	**12,314**	**4,416**	**98,569**	**2,489,261**
Accumulated depreciation and impairment	**(25,612)**	**(1,505,783)**	**(4,836)**	**(9,657)**	**(3,202)**	**(61,240)**	**(1,610,330)**
Net book amount	**26,568**	**810,874**	**289**	**2,657**	**1,214**	**37,329**	**878,931**

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expense of approximately RMB134,000 (2021: approximately RMB930,000) has been charged in administrative expenses and depreciation expense of approximately RMB153,256,000 (2021: approximately RMB155,023,000) has been charged in cost of sales.

As at 31 December 2022, the Group has pledged its certain property, plant and equipment with carrying values of approximately RMB764,433,000 (2021: approximately RMB904,371,000) to secure its other loans (Note 31).

During the year ended 31 December 2021, the impairment loss related 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. In addition, there was no development in the construction in progress of a wind farm project during the year ended 31 December 2022. Management considered that there was an impairment indicator and conducted impairment assessment on the recoverable amounts of this cash generating unit ("**CGU**") of the Group by determining the recoverable amount based on value in use ("**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 11.8% (2021: 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, further impairment loss of approximately RMB20,583,000 (2021: approximately RMB40,657,000) in respect of property, plant and equipment of this CGU was made for the year ended 31 December 2022.

* *For identification purpose 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

	2022 ***RMB'000***	2021 *RMB'000*
Right-of-use assets		
Land use rights	**8,816**	11,803
Offices	**11,431**	13,579
	20,247	25,382
Lease liabilities		
Current	**3,703**	1,199
Non-current	**3,428**	894
	7,131	2,093

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

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

	2022 RMB'000	2021 RMB'000
Additions to right-of-use assets	**7,322**	14,519
Acquisition of a subsidiary *(Note 35)*	**—**	2,608
Disposal of a subsidiary *(Note 36(b))*	**(2,552)**	—
Modification of lease *(Note (i))*	**(5,796)**	—

Note:

(i) During the year ended 31 December 2022, the Group entered into modified lease contract with lessor to revise the monthly rental and shorten the lease term of the lease from 6 years to 4 years. The Group has already prepaid all the rental upon entering into the previous lease contract during the year ended 31 December 2021. As the modification does not add the right to use one or more underlying assets, it is not accounted for as a separate lease. Accordingly, the Group recognised a decrease in amount of approximately RMB5,796,000 of right-of-use assets included in offices during the year ended 31 December 2022 (2021: Nil).

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets:		
— Land use rights	**434**	416
— Offices	**3,733**	939
	4,167	1,355
Interest expenses on lease liabilities *(Note 11)*	**234**	41
Total cash outflow for leases	**2,538**	925

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

The Group leases various land use rights and offices. Lease agreements are typically made for fixed periods of 40 years and 2 to 4 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. There are no renewal options and variable lease payments included in these lease agreements.

18 INTERESTS IN ASSOCIATES

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**2,614**	—
Transfer from interest in a joint venture *(Note 19)*	**—**	2,762
Share of losses for the year	**(578)**	(148)
At the end of the year	**2,036**	2,614

(a) Particulars of the associates are as follows:

Name	**Principal activities**	**Place/country of incorporation/ establishment**	**% of ownership interest (Indirect)**		**% of voting rights held by the Group (Indirect)**	
			2022	2021	**2022**	2021
Shenzhen Qianhai Jiefeng Financing and Leasing Limited ("**Shenzhen Qianhai**") *(Note (i))*	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	HK	**25%**	25%	**25%**	25%

18 INTERESTS IN ASSOCIATES *(continued)*

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	
	2022	2021
Asset and liabilities as at 31 December	***RMB'000***	*RMB'000*
Current assets	**1,012**	1,012
Non-current assets	**—**	—
Current liabilities	**(64,540)**	(60,184)
Non-current liabilities	**—**	—
Net liabilities	**(63,528)**	(59,172)

	Shenzhen Qianhai	
	2022	2021
Profit or loss for the year ended 31 December	***RMB'000***	*RMB'000*
Revenue	**—**	—
Loss for the year	**(4,356)**	(4,566)
Other comprehensive income	**—**	—
Total comprehensive loss	**(4,356)**	(4,566)
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	
	2022	2021
	RMB'000	*RMB'000*
Opening net liabilities at the beginning of the year	**(59,172)**	(54,606)
Loss for the year	**(4,356)**	(4,566)
Closing net liabilities at the end of the year	**(63,528)**	(59,172)
Share in %	**45.13%**	45.13%
Share of net liabilities	**(28,670)**	(26,704)
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	
	2022	2021
	RMB'000	*RMB'000*
The Group's share on:		
Loss and other comprehensive income for the year	**(578)**	(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 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 and 2022, the interest in an associate and amount due from an associate continued to be fully impaired.

19 INTEREST IN A JOINT VENTURE

	2022 ***RMB'000***	2021 *RMB'000*
At the beginning of the year	**—**	2,961
Share of loss for the year	**—**	(154)
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	**—**	—

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

Name	**Principal activities**	**Place/ country of incorporation/ establishment**	**% of ownership interest (Indirect)** **2022**	 2021
Hongsong Agriculture and Animal Husbandry Technology (Shandong) Co., Ltd. 紅松農牧科技(山東)有限公司	Provision of agriculture and animal husbandry technology related services	**The PRC**	**35.5%***	—

* As at 31 December 2022, the Group did not pay up any capital in Hongsong Agriculture and Animal Husbandry Technology (Shandong) Co., Ltd.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	2022	2021
	RMB'000	*RMB'000*
Financial assets		
At fair value		
— Financial assets at fair value through other comprehensive income	**12,791**	6,489
— Financial assets at fair value through profit or loss	**6,587**	6,913
	19,378	13,402
At amortised cost		
— Trade receivables	**136,833**	345,129
— Other receivables	**357,911**	377,629
— Cash and cash equivalents	**420,843**	243,295
	915,587	966,053
	934,965	979,455
Financial liabilities		
At amortised cost		
— Trade and other payables	**150,134**	222,245
— Borrowings	**1,723,070**	1,703,717
— Lease liabilities	**7,131**	2,093
	1,880,335	1,928,055

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

	2022	2021
	RMB'000	*RMB'000*
Unlisted equity investment in the PRC	**12,791**	6,489

(c) Amount recognised in consolidated statement of comprehensive income

	2022	2021
	RMB'000	*RMB'000*
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	**6,302**	(1,676)

(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

	2022	2021
	RMB'000	*RMB'000*
Unlisted equity investment in the Cayman Islands	**4,260**	5,225
Listed equity investments in HK and in the PRC	**2,327**	1,688
	6,587	6,913

	2022	2021
	RMB'000	*RMB'000*
Analysed as:		
Current assets	**2,327**	1,688
Non-current assets	**4,260**	5,225
	6,587	6,913

(b) Amount recognised in consolidated statement of profit or loss

	2022	2021
	RMB'000	*RMB'000*
Fair value loss on financial assets at fair value through profit or loss	**(370)**	(380)

(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

	2022	2021
	RMB'000	*RMB'000*
Finished goods	**619**	680

24 TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables *(Note a)*	**138,863**	347,159
Less: provision for loss allowance	**(2,030)**	(2,030)
	136,833	345,129
Prepayments, deposits, and other receivables *(Note b)*	**529,328**	542,845
	666,161	887,974
Less: Non-current portion		
— Prepayments for acquisition of property, plant and equipment and investments	**(156,026)**	(142,699)
— Deposit for other loans	**(28,000)**	(25,800)
	(184,026)	(168,499)
Current portion	**482,135**	719,475

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 2022, the Group has pledged certain of its trade receivables with carrying values of approximately RMB136,816,000 (2021: approximately RMB343,136,000) to secure its other loans (2021: 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:

	2022	2021
	RMB'000	*RMB'000*
Unbilled *(Note)*	**115,318**	295,695
Within three months	**21,498**	47,943
More than three months but within one year	**—**	1,455
More than one year	**17**	36
	136,833	345,129

Note: The amount represents the tariff adjustment receivables for the wind power plants operated by the Group.

The ageing analysis of the trade receivables based on revenue recognition date is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within three months	**41,707**	84,648
More than three months but within one year	**68,234**	73,431
More than one year	**26,892**	187,050
	136,833	345,129

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 allowance account is written off against trade receivables directly.

At 31 December 2022, trade receivables of the Group amounting to approximately RMB2,030,000 (2021: 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 2022 and 2021 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

	2022	2021
	RMB'000	*RMB'000*
Other receivables *(Note (i))*	**335,319**	362,268
Less: provision for loss allowance	**(186,967)**	(187,438)
	148,352	174,830
Loan receivables *(Note (ii))*	**236,557**	249,630
Less: provision for loss allowance	**(64,921)**	(77,431)
	171,636	172,199
Amount due from an associate *(Note 18)*	**29,187**	29,187
Less: provision for loss allowance	**(29,187)**	(29,187)
	—	—
Amount due from a non-controlling interest *(Note (iii))*	**9,923**	4,800
Less: provision for loss allowance	**—**	—
	9,923	4,800
Deposit for other loans *(Note (iv))*	**28,000**	25,800
Prepayments	**171,417**	165,216
Total	**529,328**	542,845
Less: Non-current portion		
— Prepayments for acquisition of property, plant and equipment and investments	**(156,026)**	(142,699)
— Deposit for other loans	**(28,000)**	(25,800)
	(184,026)	(168,499)
Current portion	**345,302**	374,346

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 and 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 ECL on these 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.

24 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Prepayments, deposits, and other receivables *(continued)*

Notes: (continued)

(ii) As at 31 December 2022 and 2021, the loan receivables from independent third parties were unsecured, interest-bearing at rates ranging from 5%-18% (2021: 5%–18%) per annum and repayable within one year. Loan receivables from independent third parties with aggregate gross amounts of approximately RMB136,790,000 (2021: RMB155,590,000) 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 (2021: approximately RMB7,250,000) 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 2022 and 2021, the amount due from a non-controlling interest was unsecured, interest-free and repayable on demand.

(iv) As at 31 December 2022 and 2021, the Group has pledged certain of its deposits with carrying values of approximately RMB28,000,000 (2021: approximately RMB25,800,000) to secure its other loans (Note 31(e)).

The movement in provision for loss allowance on other receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of the year	**294,056**	64,460
Provision for impairment	**27,503**	234,171
Write-off	**(41,487)**	(4,360)
Disposal of a subsidiary	**(2,475)**	—
Exchange realignment	**3,478**	(215)
At end of the year	**281,075**	294,056

25 CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash at banks	**420,132**	242,258
Cash on hands	**711**	1,037
	420,843	243,295

The Group's cash and cash equivalents are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	**416,671**	222,753
HK$	**4,172**	20,542
	420,843	243,295

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately RMB415,651,000 (2021: approximately RMB222,002,000), 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

	2022 RMB'000	2021 RMB'000
Deferred income tax liabilities — To be settled after one year	**9,221**	14,090

26 DEFERRED INCOME TAX LIABILITIES *(continued)*

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*	**Withholding tax on future dividend income** *RMB'000*	**Total** *RMB'000*
At 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 and 1 January 2022	**(12,371)**	**(1,719)**	**(14,090)**
Credited to the consolidated statement of profit or loss	**3,399**	**1,617**	**5,016**
Exchange realignment	**—**	**(147)**	**(147)**
At 31 December 2022	**(8,972)**	**(249)**	**(9,221)**

At 31 December 2022, the Group has unused tax losses of approximately RMB60,005,000 (2021: approximately RMB63,093,000) available for offset against future profits which can be carried forward five years after they are incurred 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 2022, deferred tax liabilities of approximately RMB249,000 (2021: approximately RMB1,719,000) have been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits of a PRC subsidiary.

At 31 December 2022, deferred tax liabilities of approximately RMB17,234,000 (2021: approximately RMB17,076,000) 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

	2022	2021
	RMB'000	*RMB'000*
Authorised		
10,000,000,000 shares at HK$0.01 each	**87,912**	87,912
Issued and fully paid		
2,049,141,000 (2021: 1,979,141,000) shares at HK$0.01 each *(Note (i))*	**17,884**	17,286

Note:

(i) On 30 June 2022, the Company and Well Foundation Company Limited ("**Well Foundation**") entered into a deed of settlement, pursuant to which the Company has agreed to redeem the 2019 Convertible Bonds (as defined in Note 31(d)) in the principal amount of HK$19,612,000 and outstanding interests payable to Well Foundation in the aggregate sum of HK$27,850,000 by cash in the sum of HK$10,000,000 and by issue of 70,000,000 ordinary shares to Well Foundation. The allotment of ordinary shares was completed on 15 July 2022 and the closing price of the shares on 15 July 2022 was HK$0.178 and the premium on the issue of ordinary shares, amounting to approximately HK$11,760,000 (equivalent to approximately RMB10,040,000) was credited to the Company's share premium account.

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.

28 RESERVES *(continued)*

(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.

(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 options reserve

The share options reserve comprises the portion of the grant date fair value of unexercised share options granted to directors and employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payment in Note 2.18 (iii).

(f) Warrants reserve

The warrants reserve comprises the portion of the grant date fair value of unexercised non-listed warrants.

(g) 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.

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.

29 SHARE-BASED PAYMENT *(continued)*

(a) Share options *(continued)*

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.

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.

29 SHARE-BASED PAYMENT *(continued)*

(a) Share options *(continued)*

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 2022, none of the share options have been granted under the Share Option Scheme (2021: 179,900,000).

As at 31 December 2022 and 2021, 179,900,000 and 179,900,000 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 (2021: 197,914,080) shares, which represented approximately 10% (2021: approximately 10%) of the shares of the Company in issue as at that date.

The following table discloses movements in the outstanding option granted by the Company under the Share Option Scheme during the years ended 31 December 2022 and 31 December 2021:

		Number of share options							
Year	Category of participant	As at 1 January 2022	Granted during the period	Cancelled/ lapsed during the period	Exercised during the period	As at 31 December 2022	Grant date	Exercise period *(Note)*	Exercise price per share
2022	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			

29 SHARE-BASED PAYMENT *(continued)*

(a) Share options *(continued)*

Year	Category of participant	Number of share options: 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 options granted were vested immediately on grant date.

The variables and assumptions used in computing the fair value of the share options are based on 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:

For the year ended 31 December 2021

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 was calculated based on the historic volatility of share prices of the Company and comparable companies based on publicly available information. Expected dividend yield was based on historic dividends.

During the year 31 December 2022, share-based payment expenses of nil (2021: approximately RMB10,300,000) 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 approximately 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:

For the year ended 31 December 2021

Date of issuance	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

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**19,243**	13,202
Interest payables	**34,547**	83,124
Other tax payables	**1,232**	8,025
Payables on acquisition of property, plant, and equipment	**12,059**	11,919
Payables on acquisition of a subsidiary *(Note (i))*	**14,007**	16,894
Amounts due to directors *(Note (ii))*	**9,442**	6,271
Amounts due to non-controlling interests *(Note (ii))*	**19,422**	12,513
Other payables and accruals	**41,414**	78,322
	151,366	230,270

Notes:

(i) As at 31 December 2022 and 2021, 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 2022 and 2021, the amounts were unsecured, interest-free and repayable on demand.

The ageing analysis of the trade payables based on invoice date is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within three months	**18,867**	6,502
More than three months but within one year	**6**	4,093
More than one year	**370**	2,607
	19,243	13,202

The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies.

	2022	2021
	RMB'000	*RMB'000*
RMB	**106,888**	134,588
HK$	**44,478**	95,682
	151,366	230,270

31 BORROWINGS

	2022 **RMB'000**	2021 *RMB'000*
Bank loans, secured *(Note a)*	**8,000**	20,000
Bonds *(Note b)*	**142,666**	144,075
Notes payables *(Note c)*	**59,107**	63,809
Convertible bonds *(Note d)*	**302,619**	255,743
Other loans *(Note e)*	**1,210,678**	1,220,090
Total	**1,723,070**	1,703,717
Less: Non-current portion		
— Bonds *(Note b)*	**(71,713)**	(69,976)
— Other loans *(Note c)*	**(1,026,287)**	(1,050,940)
— Convertible bonds *(Note d)*	**(302,619)**	—
	(1,400,619)	(1,120,916)
Current portion	**322,451**	582,801

(a) Bank loans, secured

Details of the repayment schedule in respect of the interest-bearing bank borrowings are as follows:

	2022 **RMB'000**	2021 *RMB'000*
Within one year	**8,000**	20,000

31 BORROWINGS *(continued)*

(a) Bank loans, secured *(continued)*

As at 31 December 2022, the Group's interest-bearing bank borrowings are secured and guaranteed by a related company of which Mr. Li Baosheng, a former executive director of the Company, is the beneficial owner of that related company.

The average effective interest rate on secured bank loans approximated 8% per annum (2021: approximately 8% per annum).

At 31 December 2022 and 2021, all bank loans are denominated in RMB.

(b) Bonds

As at 31 December 2022, the unsecured bonds were issued in an aggregated principal amount of approximately HK$151,311,000 (2021: approximately HK$176,136,000) with maturity in one to three years (2021: one to seven years). The bonds carry fixed interest rate at 7%–10% per annum (2021: 7%–10% per annum) and interest is payable in arrears yearly. As at 31 December 2022, the bonds of approximately RMB70,953,000 are classified as current liabilities (2021: approximately RMB74,099,000) and approximately RMB71,713,000 are classified as non-current liabilities (2021: approximately RMB69,976,000).

(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 2022, the notes payables with principal amount of approximately HK$13,542,000 (2021: approximately HK$82,507,000) has been repaid. The notes payables were due and 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.

31 BORROWINGS *(continued)*

(d) Convertible bonds

(i) 2019 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 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 "**2019 Convertible Bonds**"). The 2019 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 2019 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 2019 Convertible Bonds at any time after nine months from the issue date but not less than fourteen business days prior to the maturity date by giving not less than ten days' notice to the bondholders. Early redemption of the 2019 Convertible Bonds will be made at par value of the 2019 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 2019 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).

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 2019 Convertible Bonds as a whole has been ascertained by an independent valuer Chung Hin Appraisal Limited.

Interest expenses on the 2019 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.

31 BORROWINGS *(continued)*

(d) Convertible bonds *(continued)*

(i) 2019 Convertible Bonds (continued)

The 2019 Convertible Bonds were due in March 2021 and were not be extended to 2022. The Company has been under the negotiation and discussion with Filled Converge and Well Foundation since January 2021 for settlement of the 2019 Convertible Bonds. On 28 January 2022, the Company and Filled Converge entered into the subscription agreement of new convertible bonds to settle the outstanding 2019 Convertible Bonds payable to Filled Converge. Details please refer to "(ii) 2022 Convertible Bonds" as below. On 30 June 2022, the Company and Well Foundation entered into a deed of settlement, pursuant to which the Company has agreed to redeem the 2019 Convertible Bonds in the principal amount of HK$19,612,000 and outstanding interests payable to Well Foundation in the aggregate sum of HK$27,850,000 by cash in the sum of HK$10,000,000 and by issue of 70,000,000 ordinary shares at the issue price of HK$0.255 per ordinary share to Well Foundation. The allotment of ordinary shares was completed on 15 July 2022 and the Company fully settled all outstanding amounts payable to Well Foundation under the deed of settlement on 9 August 2022. The 2019 Convertible Bonds in the principal amount of HK$19,612,000 and the interest payable of HK$8,238,000 to Well Foundation were fully settled. The carrying values of 2019 Convertible Bonds and the related interest payable were close to their fair value as of the settlement date. The fair value of the equity component was close to zero as of the settlement date.

Pursuant to the 2019 Convertible Bonds subscription agreement, the Company is required to pay the Filled Converge and Well Foundation a default interest on default repayment of 2019 Convertible Bonds. As at 31 December 2022, the balance of nil (2021: HK$19,612,000) payable to Well Foundation is interest-bearing at nil% (2021: 20%) per annum. The balance of nil (2021: HK$294,183,000) payable to Filled Converge is interest-bearing at nil% (2021: 15%) per annum, which have been mutually agreed with Filled Converge by referencing with the gross yield to maturity of nil% (2021: 15%) per annum pursuant to the 2019 Convertible Bonds subscription agreement.

Pursuant to the 2019 Convertible Bonds subscription agreement, if the 2019 Convertible Bonds are not redeemed on the maturity date, the conversion rights attached to the 2019 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 2019 Convertible Bonds have been duly and irrevocably received by the bondholders and, notwithstanding that the full amount of moneys payable in respect of such 2019 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 2019 Convertible Bonds are not derecognised as at 31 December 2021 even they were matured in March 2021 until they are redeemed or converted.

31 BORROWINGS *(continued)*

(d) Convertible bonds *(continued)*

(ii) 2022 Convertible Bonds

On 28 January 2022, the Company and Filled Converge entered into a 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 (the "**2022 Convertible Bonds**"), which would be used for the settlement of outstanding principal amount and interest payable by the Company to Filled Converge under the 2019 Convertible Bonds. The 2022 Convertible Bonds are due in 2025 and at an interest rate of 10% per annum, with the conversion rights to convert the outstanding principal amount of the 2022 Convertible Bonds into the shares at an initial conversion price of HK$0.180 per conversion share. The issuance of 2022 Convertible Bonds was completed on 28 April 2022.

The Company may demand early redemption of any amount of the outstanding principal amounts of the 2022 Convertible Bonds at any time from the issue date but not less than fourteen business days prior to the maturity date, having given not less than ten days' notice (the "**Issuer Redemption Notice**") to the bondholder. Early redemption of the 2022 Convertible Bonds will be made at (i) the principal amount of the redeemed 2022 Convertible Bonds plus any accrued and unpaid interest up to and including the date of Issuer Redemption Notice; and (ii) an amount equal to a gross yield to maturity of 15% per annum (calculated on the principal amount of the redeemed 2022 Convertible Bonds for the period from the issue date up to and including the date of redemption) minus all interest paid thereon on or prior to the date of the Issuer Redemption Notice.

Bondholder has the right on any business day during the conversion period to convert in whole or in part the outstanding principal amount of the 2022 Convertible Bonds in whole or in integral multiples of HK$1,000 into conversion shares at an initial conversion price of HK$0.180 per conversion share (subject to adjustments).

On initial recognition on 28 April 2022, the fair value of the equity component and liability component (determined using the prevailing market interest rate of similar non-convertible debts) of 2022 Convertible Bonds as a whole has been ascertained by an independent valuer, CNK International Asset Valuation Limited.

Interest expenses on the 2022 Convertible Bonds were calculated using the effective interest method by applying the effective interest rate of approximately 19.4% per annum to the respective liability component.

31 BORROWINGS *(continued)*

(d) Convertible bonds *(continued)*

(ii) 2022 Convertible Bonds (continued)

Pursuant to the 2022 Convertible Bonds subscription agreement, if the 2022 Convertible Bonds are not redeemed on the maturity date, the conversion rights attached to the 2022 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 2022 Convertible Bonds have been duly and irrevocably received by the bondholders and, notwithstanding that the full amount of moneys payable in respect of such 2022 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.

The movement of liability and equity component of the 2019 Convertible Bonds and 2022 Convertible Bonds for the years is set out as below:

	Liability component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
As at 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 and 1 January 2022	**255,743**	**17,047**	**272,790**
Issued during the year	**258,867**	**29,654**	**288,521**
Interest expenses *(Note 11)*	**35,398**	**—**	**35,398**
Settlement of interest	**(16,153)**	**—**	**(16,153)**
Redemption	**(254,913)**	**(17,047)**	**(271,960)**
Exchange realignment	**23,677**	**—**	**23,677**
As at 31 December 2022	**302,619**	**29,654**	**332,273**

31 BORROWINGS *(continued)*

(e) Other loans

Details of the repayment schedule in respect of other loans are as follows:

	2022	2021
	RMB'000	*RMB'000*
Within one year	**184,391**	169,150
Within a period of more than one year but not exceeding two years	**157,531**	130,210
Within a period of more than two years but not exceeding five years	**239,950**	400,810
More than five years	**628,806**	519,920
	1,210,678	1,220,090

As at 31 December 2022 and 2021, the other loans were secured and guaranteed as follows:

	2022	2021
	RMB'000	*RMB'000*
Secured and guaranteed *(Note)*	**1,163,511**	1,173,890
Unsecured	**47,167**	46,200
	1,210,678	1,220,090

Note:

At 31 December 2022, secured loans included loans amounted to approximately RMB1,163,511,000 (2021: approximately RMB1,173,890,000) 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 (2021: 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 2022, 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 RMB764,433,000 (2021: approximately RMB904,371,000);

— the Group's certain deposits with carrying values of approximately RMB28,000,000 (2021: approximately RMB25,800,000);

31 BORROWINGS *(continued)*

(e) Other loans *(continued)*

— the Group's certain trade receivables with carrying values of approximately RMB136,816,000 (2021: approximately RMB343,136,000);

— charges over the paid registered capital of certain subsidiaries of the Company;

— personal guarantees provided by Mr. Zhang and his spouse to the extent of the indebtedness of certain other loans; and

— guarantee provided by the Company to the extent of the indebtedness of certain other loans.

The average effective interest rate on secured other loans approximated 6.3% per annum (2021: approximated 6.4% per annum).

At 31 December 2022, except for the other loans of approximately RMB6,048,000 (2021: approximately RMB6,200,000) which is denominated in US$, all other loans are denominated in RMB.

32 DEFERRED INCOME

Government grants	**2022** **RMB'000**	2021 *RMB'000*
At beginning of the year	**687**	—
Business acquisition *(Note 35)*	**—**	713
Addition	**199**	—
Utilisation	**(114)**	(26)
Disposal of a subsidiary *(note 36(b))*	**(772)**	—
At the end of the year	**—**	687

	2022 **RMB'000**	2021 *RMB'000*
Analysed for reporting purposes as:		
— Current liabilities	**—**	80
— Non-current liabilities	**—**	607
At the end of the year	**—**	687

The government grants mainly represented amounts designated for purchasing incineration of medical wastage facilities and motor vehicles 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	2022 RMB'000	2021 RMB'000
Loss before income tax		**(156,055)**	(342,603)
Adjustments for:			
Depreciation of property, plant and equipment	9	**153,390**	155,953
Depreciation of right-of-use assets	9	**4,167**	1,355
Interest income		**(9,691)**	(13,577)
Finance costs	11	**156,469**	146,663
Provision for expected credit losses on other receivables		**27,503**	234,171
Impairment on property, plant and equipment	16	**20,583**	40,657
Share of losses of associates	18	**578**	148
Share of loss of a joint venture	19	**—**	154
Gain on redemption of convertible bonds	8	**(4,601)**	—
Gain on disposal of a subsidiary	8	**(3,677)**	—
Loss on disposal of property, plant and equipment	8	**32**	—
Fair value losses on financial assets at fair value through profit or loss	8	**370**	380
Waiver of other loans interest payables	8	**(7,899)**	(2,517)
Bargain purchase of a subsidiary	8	**—**	(542)
Loss on deemed disposal of interest in a joint venture	8	**—**	45
Deferred income	7	**(114)**	(26)
Share-based payment from issue of warrants	9	**—**	8,565
Share-based payment from issue of share options	10	**—**	10,300
Operating profit before working capital changes		**181,055**	239,126
Changes in working capital:			
Inventories		**(16)**	9
Trade and other receivables		**222,060**	(95,684)
Financial assets at fair value through profit or loss		**—**	32
Amount due from a non-controlling interest		**1,786**	2,698
Trade and other payables		**(31,300)**	20,086
Amounts due to directors		**3,171**	1,752
Cash generated from operations		**376,756**	168,019

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 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

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 2022	83,124	1,240,090	144,075	255,743	63,809	2,093	1,788,934
Changes from financing cash flows:							
Proceeds from new bank loans and other loans	—	111,119	—	—	—	—	111,119
Repayment of bank loans and other loans	—	(141,479)	—	—	—	—	(141,479)
Repayment of bonds	—	—	(21,459)	—	—	—	(21,459)
Redemption of convertible bonds	—	—	—	(1,504)	—	—	(1,504)
Repayment of notes payables	—	—	—	—	(11,739)	—	(11,739)
Repayment of lease liabilities and interest	—	—	—	—	—	(2,575)	(2,575)
Other borrowing cost paid	(7,899)	(81,570)	(2,457)	(16,153)	(9,081)	—	(117,160)
Total changes from financing cash flows	(7,899)	(111,930)	(23,916)	(17,657)	(20,820)	(2,575)	(184,797)
Exchange realignment	9,264	1,318	11,877	23,677	5,633	57	51,826
Non-cash movements							
— Addition on lease liabilities	—	—	—	—	—	7,322	7,322
— Interest expenses *(Note 11)*	10,522	89,200	10,630	35,398	10,485	234	156,469
— Issuance of convertible bonds	—	—	—	258,867	—	—	258,867
— Redemption of convertible bonds and its unpaid interest	(52,565)	—	—	(253,409)	—	—	(305,974)
— Waiver of other loans interest payable	(7,899)	—	—	—	—	—	(7,899)
As at 31 December 2022	34,547	1,218,678	142,666	302,619	59,107	7,131	1,764,748

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 Chengde Jiaheng Medical Waste Disposal Co., Ltd.* (承德嘉恒醫療廢棄物處置有限公司) ("**Chengde Jiaheng**"), for a cash consideration of approximately 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)

36 DISPOSAL OF SUBSIDIARIES

(a) Disposal of a subsidiary without loss of control

On 14 March 2022, the Group entered into an agreement with a purchaser to dispose 49% of the issued share capital of a subsidiary, Chengde Jiaheng, for a cash consideration of approximately RMB7,252,000. After the partial disposal, the Group's interest in Chengde Jiaheng dropped from 100% to 51%. The effect of the disposal of Chengde Jiaheng on equity attributable to the Company is summarised as follows:

	RMB'000
Consideration received	7,252
Less: carrying amount of non-controlling interests disposed of	(7,168)
Gain on disposal credited to retained earnings	84

(b) Disposal of a subsidiary

On 1 September 2022, the Group entered into an agreement with a purchaser to dispose the remaining 51% of the issued share capital of a subsidiary, Chengde Jiaheng, for a cash consideration of approximately RMB8,303,000. After the disposal, the Group did not hold any interest in Chengde Jiaheng.

36 DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of a subsidiary *(continued)*

Net assets at the date of disposal were as follows:

	RMB'000
Consideration received	
Cash	8,303
Analysis of assets and liabilities over which the control was lost:	
Property, plant and equipment *(Note 16)*	11,817
Right-of-use assets *(Note 17)*	2,552
Inventories	77
Trade and other receivables	6,030
Cash and cash equivalents	648
Trade and other payables	(8,904)
Deferred income *(Note 32)*	(772)
Net assets disposed of	11,448
Gain on disposal:	
Consideration received	8,303
Net assets disposed of	(11,448)
Non-controlling interests	6,822
	3,677
Net cash inflow arising from the disposal:	
Cash consideration received	8,303
Less: Cash and cash equivalents disposed of	(648)
Consideration receivable	(1,661)
	5,994

36 DISPOSAL OF SUBSIDIARIES *(continued)*

(c) Deemed disposal of a non-wholly owned subsidiary without loss of control

紅松河北生物科技股份有限公司 is owned by, Hebei Hongsong Wind Power Co., Ltd, being an indirect non-wholly owned subsidiary of the Group, and 承德紅松新能源技術服務有限公司, an indirect wholly-owned subsidiary of the Group. In August 2022, Hebei Hongsong Wind Power Co., Ltd, injected capital of RMB1,700,000 into 紅松河北生物科技股份有限公司 while 承德紅松新能源技術服務有限公司, did not inject any capital into 紅松河北生物科技股份有限公司. This resulted in a dilution in the Group's effective ownership interest in 紅松河北生物科技股份有限公司 but without loss of control, and loss on deemed disposal debited to retained earnings of approximately RMB139,000.

37 COMMITMENTS

As at 31 December 2022, capital commitments outstanding not provided for in the consolidated financial statements were as follows:

	2022	2021
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment		
— Contracted for	**43,802**	53,901

38 COMPARATIVE FIGURES

During the year ended 31 December 2022, certain prior year comparative figures have been reclassified to conform to current year presentation.

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	**2022** **RMB'000**	2021 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**70,824**	70,824
Current assets			
Other receivables		**11,140**	96,636
Amounts due from subsidiaries		**469,302**	688,063
Cash and cash equivalents		**325**	298
		480,767	784,997
Total assets		**551,591**	855,821
EQUITY			
Share capital	*39(b)*	**17,884**	17,286
Reserves	*39(b)*	**(124,721)**	217,385
Total (deficit in equity)/equity		**(106,837)**	234,671
LIABILITIES			
Non-current liabilities			
Borrowings		**374,332**	69,976
Current liabilities			
Amounts due to subsidiaries		**119,790**	75,214
Other payables		**28,198**	76,110
Borrowings		**136,108**	399,850
		284,096	551,174
Total liabilities		**658,428**	621,150
Total equity and liabilities		**551,591**	855,821

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2023 and was signed on its behalf.

Zhang Zhixiang
Director

Ning Zhongzhi
Director

39 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 options reserve *RMB'000*	Warrants reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 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 financial statements of the Company	—	—	(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 and 1 January 2022	**17,286**	**1,492,149**	**(8,973)**	**17,047**	**10,300**	**13,366**	**(1,306,504)**	**234,671**
Comprehensive loss								
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(393,297)**	**(393,297)**
Other comprehensive income								
Exchange difference arising on translation of financial statements of the Company	**—**	**—**	**11,497**	**—**	**—**	**—**	**—**	**11,497**
Total comprehensive income/(loss) for the year	**—**	**—**	**11,497**	**—**	**—**	**—**	**(393,297)**	**(381,800)**
Transactions with owners								
Redemption of convertible bonds	**598**	**10,040**	**—**	**(17,047)**	**—**	**—**	**17,047**	**10,638**
Issuance of convertible bonds	**—**	**—**	**—**	**29,654**	**—**	**—**	**—**	**29,654**
At 31 December 2022	**17,884**	**1,502,189**	**2,524**	**29,654**	**10,300**	**13,366**	**(1,682,754)**	**(106,837)**

40 EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidation financial statements, the followings are other events after the date of financial position.

(a) Issuance of 2023 Convertible Bonds

The Company issued the convertible bonds in an aggregate principal amount of HK$19,540,000 (the "**2023 Convertible Bonds**") on 6 February 2023. The 2023 Convertible Bonds are due on the third anniversary of the date of issue of the 2023 Convertible Bonds and at an interest rate of 7% per annum, with the conversion rights to convert the outstanding principal amount of the 2023 Convertible Bonds into the shares at an initial conversion price of HK$0.06 per conversion share. The net proceeds from the issuance of 2023 Convertible Bonds were approximately HK$19,400,000.

(b) The Company's non-listed warrants were lapsed on 4 February 2023.

FIVE YEARS' FINANCIAL SUMMARY

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**304,443**	352,407	346,401	361,683	361,184
Operating profit/(loss)	**992**	(195,638)	60,857	85,140	102,933
Loss before income tax	**(156,055)**	(342,603)	(173,877)	(61,607)	(11,929)
Loss for the year	**(162,020)**	(358,678)	(203,973)	(80,778)	(37,258)
Attributable to:					
The owners of the Company	**(154,448)**	(368,557)	(213,010)	(103,879)	(64,212)
Non-controlling interests	**(7,572)**	9,879	9,037	23,101	26,954
	(162,020)	(358,678)	(203,973)	(80,778)	(37,258)
Assets and liabilities					
Total assets	**2,008,215**	2,237,007	3,098,787	2,552,254	2,571,854
Total liabilities	**(1,893,058)**	(1,955,819)	(2,465,564)	(1,761,901)	(1,693,335)
Net assets	**115,157**	281,188	633,223	790,353	878,519
Capital and reserves					
Share capital	**17,884**	17,286	17,286	15,677	15,677
Reserves	**(91,787)**	55,236	384,720	523,965	610,673
(Deficit)/equity attributable to the owners of the Company	**(73,903)**	72,522	402,006	539,642	626,350
Non-controlling interests	**189,060**	208,666	231,217	250,711	252,169
Total equity	**115,157**	281,188	633,223	790,353	878,519

Note:

1 The results for the year ended 31 December 2022, and the assets and liabilities as at 31 December 2022 have been extracted from the consolidated statement of profit or loss and consolidated statement of financial position as set out on pages 94 to 97 respectively, of the consolidated financial statements.