

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Yu (*Chairman and Chief Executive Officer*)
Mr. Zhang Fubo
Mr. Lu Bin
Mr. Chen Shi

Independent Non-executive Directors

Mr. Tao Wenquan
Mr. Zhao Yuwen
Mr. Kwong Wai Sun Wilson

AUDIT COMMITTEE

Mr. Kwong Wai Sun Wilson (*Chairman*)
Mr. Tao Wenquan
Mr. Zhao Yuwen

REMUNERATION COMMITTEE

Mr. Kwong Wai Sun Wilson (*Chairman*)
Mr. Zhang Fubo
Mr. Tao Wenquan
Mr. Zhao Yuwen

NOMINATION COMMITTEE

Mr. Wang Yu (*Chairman*)
Mr. Kwong Wai Sun Wilson
Mr. Zhao Yuwen

COMPANY SECRETARY

Mr. Lu Bin

AUTHORIZED REPRESENTATIVES

Mr. Wang Yu
Mr. Lu Bin

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Portion C, 30/F, Bank of China Tower,
1 Garden Road, Central,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 12 Xinhua Road
National Hi-tech Industrial Development Zone
Wuxi City
Jiangsu 214028, China

AUDITOR

Zhonghui Anda CPA Limited

LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

CORPORATE INFORMATION (Continued)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

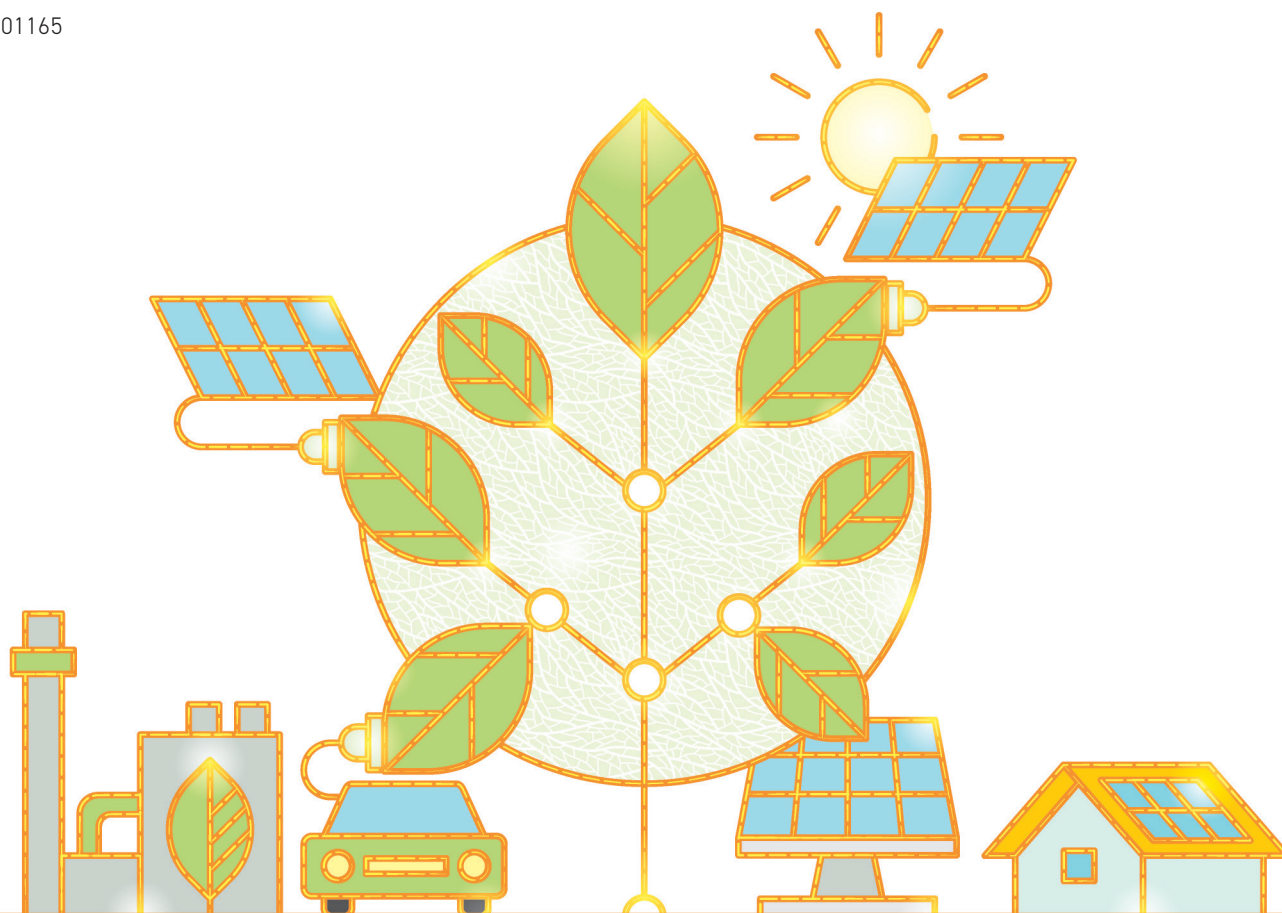
Computershare Hong Kong Investor Services Limited Shops
1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

COMPANY WEBSITE

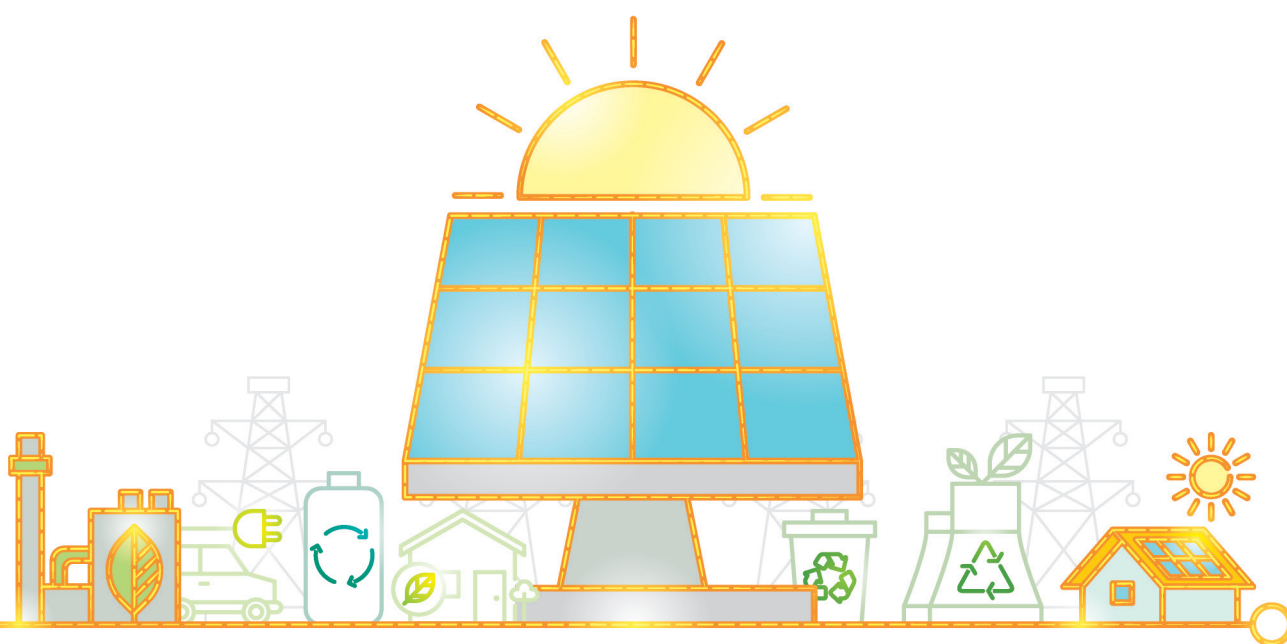
www.sfcegroup.com

STOCK CODE

01165



MANAGEMENT DISCUSSION AND ANALYSIS



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

BUSINESS REVIEW

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Solar Power Generation in the PRC

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

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

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

Geographical information

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

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

FINANCIAL REVIEW

Revenue

Solar power generation in the PRC

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Cost of sales

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

Gross profit

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

Other income

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

Other gains and losses

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

Impairment losses under expected credit loss model, net of reversal

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

Administrative expenses

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

Share of profits of associates

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Finance costs

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

Loss before income tax

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

Income tax expense

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

Loss for the Period from continuing operation

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

Trade receivables turnover days

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

Trade payables turnover days

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

Indebtedness, liquidity, gearing ratio and capital structure

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

Contingent liabilities and guarantees

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

Charges on the Group's assets

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

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

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

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

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

Exposure to the fluctuation in exchange rates

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Significant investments held and material acquisitions or disposals

As disclosed in the announcement of the Company dated 24 August 2021, Jiangxi Shunfeng Photovoltaic Investment Co. Ltd.* (江西順風光電投資有限公司), Shanghai Shunneng Investment Co., Ltd.* (上海順能投資有限公司) and Shenzhen Shangde Solar Power Electricity Co., Ltd.* (深圳尚德太陽能電力有限公司) entered into seven sale and purchase agreements (the **"2021 First Disposal Sale and Purchase Agreements"**) with China Power Investment, pursuant to which Jiangxi Shunfeng, Shanghai Shunneng and Shenzhen Shangde Solar Power Electricity Co., Ltd. agreed to sell 100% of the equity interests in Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd.* (保山長山順風尚德新能源有限公司), Shufu County Junxin Technology Photovoltaic Power Generation Co., Ltd.* (疏附縣浚鑫科技光伏發電有限公司), Kezhou Baishide New Energy Development Co., Ltd.* (克州百事德新能源開發有限公司), Maigaiti Jintan Zhengxin New Energy Technology Co., Ltd.* (麥蓋提金壇正信新能源科技有限公司), Wushi Longbai Electricity Investment Co., Ltd.* (烏什龍柏電力投資有限公司), Yingjisha County Rongxin Tianhe New Energy Co., Ltd.* (英吉沙縣融信天和新能源有限責任公司) and Shufu County Zhongjiancai New Energy Photovoltaic Power Generation Co., Ltd.* (疏附縣中建材新能源光伏發電有限公司) (together, the **"2021 First Disposal Subject Companies"**) at aggregate consideration of RMB537.6 million (the **"2021 First Disposals"**).

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

The 2021 First Disposals was approved by the Shareholders at the extraordinary general meeting on 13 December 2021. As of the date of this report, the registration of share transfer in respect of three of the 2021 First Disposal Subject Companies have been completed, which are Maigaiti Jintan Zhengxin New Energy Technology Co., Ltd, Shufu County Zhongjiancai New Energy Photovoltaic Power Generation Co., Ltd and Wushi Longbai Electricity Investment Co., Ltd. The registration of share transfer of the remaining four of the 2021 First Disposal Subject Companies are expected to be completed prior to the end of September 2022.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

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

Human resources

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

Interim dividend

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

Events subsequent to the Period

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

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

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

Reference is also made to the announcement of the Company dated 18 July 2022. BDO Limited has resigned as the auditor of the Company with effect from 18 July 2022, due to the level of audit fees. Taking into account the recommendation of the Audit Committee, the Board has resolved to appoint Zhonghui Anda CPA Limited with effect from 18 July 2022 as the new auditor of the Company, to fill the casual vacancy following the resignation of BDO Limited and to hold office until the conclusion of the next annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FUTURE PROSPECT

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION



COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

REVIEW OF INTERIM FINANCIAL INFORMATION

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

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

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

'BASIS FOR DISCLAIMER OF CONCLUSION

As discussed in note 1 to the interim financial statements concerning the adoption of the going concern basis on which the interim financial statements have been prepared, the Group incurred loss of RMB195,974,000 and RMB38,921,000 respectively for two consecutive period of six months ended 30 June 2022 and 2021, and the Group had net current liabilities of RMB1,039,952,000 and net liabilities of RMB1,073,516,000 as at 30 June 2022. As at 30 June 2022, the Group had bank and other borrowings, convertible bonds and bond payables totaling RMB2,215,812,000 repayable within one year or on demand. In addition, as at 30 June 2022, the Group had overdue bank and other borrowings and bonds payable of approximately RMB1,050,994,000 and RMB585,372,000 respectively. Further, two bondholders of the 2015 Corporate Bond initiated an arbitration with the Group through Shanghai Arbitration Commission for the settlement of the outstanding principal and accrued bond interest immediately. A freezing order (the "**Freezing Order**") was issued by the Changzhou Intermediate People's Court of Jiangsu Province upon the application by the two bondholders of the 2015 Corporate Bond and accordingly, the equity interests of 4 subsidiaries (the "**Frozen Subsidiaries**") have been put under the Freezing Order. In August 2022, the above proceedings have not yet been completed in the Shanghai Arbitration Commission.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

DISCLAIMER OF CONCLUSION

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code were as follows:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Mr. Wang Yu	Beneficial owner	27,345,588 (long position)	0.55%
Mr. Zhang Fubo	Beneficial owner	9,918,000 (long position)	0.20%

Note:

Save as disclosed above, to the best knowledge of the Directors, as at 30 June 2022, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVE

No arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors and the chief executive of the Company to acquire benefits by means of acquisitions of shares in or debentures of the Company or any other body corporate subsisted at the end of the Period or at any time during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Peace Link Services Limited	Beneficial owner (Note 1)	2,599,335,467 (long position)	52.17%
Asia Pacific Resources Development Investment Limited	Beneficial owner and interest of controlled corporation (Note 2)	2,674,892,658 (long position)	53.69%
Mr. Cheng Kin Ming	Beneficial owner and interest of controlled corporation (Note 3)	2,681,844,658 (long position)	53.83%
Faithsmart Limited	Interest of controlled corporation (Note 4)	2,674,892,658 (long position)	53.69%
Bank of Communications Co., Ltd	Person having a security interest in shares (Note 5)	495,968,457 (long position)	9.95%
BOCOM International Holdings Company Limited	Person having a security interest in shares (Note 6)	495,968,457 (long position)	9.95%
Coherent Gallery International Limited	Beneficial owner (Note 7)	242,967,960 (long position)	4.88%
Mr. Tang Guoqiang	Interest of controlled corporation (Note 8)	392,968,898 (long position)	7.89%

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Notes:

1. Peace Link Services Limited is wholly owned by Faithsmart Limited which is in turn wholly owned by Mr. Cheng Kin Ming. As at 30 June 2022, 1,085,028,449 Shares were allotted and issued to Peace Link Services Limited upon the exercise in full of the conversion rights attaching to the convertible bonds subscribed by Peace Link Services Limited pursuant to the subscription agreement dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into with the Company. Peace Link Services Limited held 1,400,942,101 shares in its personal capacity.
2. Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited and, therefore, Asia Pacific Resources Development Investment Limited is deemed to be interested in 2,599,335,467 Shares held by Peace Link Services Limited for the purpose of the SFO. Asia Pacific Resources Development Investment Limited held 75,557,191 Shares in its personal capacity.
3. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited, and in turn, Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited. Therefore, Mr. Cheng Kin Ming is deemed to be interested in 2,674,892,658 Shares held by Asia Pacific Resources Development Investment Limited and Peace Link Services Limited, and Mr. Cheng Kin Ming held 3,452,000 Shares in his personal capacity.
4. Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited and, therefore, Faithsmart Limited is deemed to be interested in 2,674,892,658 Shares held by Asia Pacific Resources Development Investment Limited for the purpose of the SFO.
5. Bank of Communications Co., Ltd enforced its right in 495,968,457 Shares it held by way of security as a lender on 25 November 2020.
6. BOCOM International Holdings Company Limited enforced its right in 495,968,457 Shares it held by way of security as a lender on 25 November 2020.
7. Goherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang.
8. Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and, therefore, Mr. Tang Guoqiang is deemed to be interested in 242,967,960 Shares held by Coherent Gallery International Limited for the purposes of the SFO.

Save as the disclosed above, to the best knowledge of the Directors, as at 30 June 2022, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

PUBLICATION OF INTERIM REPORT

This interim report containing the relevant information required by the Listing Rules is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (<http://www.sfcegroup.com>).

By Order of the Board
Wang Yu
Chairman
Hong Kong

26 September 2022

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We were engaged to review the interim financial information set out on pages 19 to 61 which comprises the condensed consolidated statement of financial position of the Shunfeng International Clean Energy Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR DISCLAIMER OF CONCLUSION

As discussed in note 1 to the interim financial statements concerning the adoption of the going concern basis on which the interim financial statements have been prepared, the Group incurred loss of RMB195,974,000 and RMB38,921,000 respectively for two consecutive period of six months ended 30 June 2022 and 2021, and the Group had net current liabilities of RMB1,039,952,000 and net liabilities of RMB1,073,516,000 as at 30 June 2022. As at 30 June 2022, the Group had bank and other borrowings, convertible bonds and bond payables totaling RMB2,215,812,000 repayable within one year or on demand. In addition, as at 30 June 2022, the Group had overdue bank and other borrowings and bonds payable of approximately RMB1,050,994,000 and RMB585,372,000 respectively. Further, two bondholders of the 2015 Corporate Bond initiated an arbitration with the Group through Shanghai Arbitration Commission for the settlement of the outstanding principal and accrued bond interest immediately. A freezing order (the "Freezing Order") was issued by the Changzhou Intermediate People's Court of Jiangsu Province upon the application by the two bondholders of the 2015 Corporate Bond and accordingly, the equity interests of 4 subsidiaries (the "Frozen Subsidiaries") have been put under the Freezing Order. In August 2022, the above proceedings have not yet been completed in the Shanghai Arbitration Commission.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

BASIS FOR DISCLAIMER OF CONCLUSION (CONTINUED)

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

DISCLAIMER OF CONCLUSION

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

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Shun Fai

Engagement Director

Practising Certificate Number P05498

Hong Kong, 31 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
CONTINUING OPERATION			
Revenue	4	170,684	364,493
Cost of sales		(59,894)	(184,525)
Gross profit		110,790	179,968
Other income	6	8,989	14,280
Other gains and losses, net	7	(118,356)	9,260
Impairment losses under expected credit loss model, net of reversal	8	64,277	2,559
Administrative expenses		(42,533)	(36,985)
Share of profits of associates		1,736	1,539
Finance costs	9	(218,778)	(289,567)
Loss before income tax	10	(193,875)	(118,946)
Income tax expenses	11	(2,099)	(486)
Loss for the period from continuing operation		(195,974)	(119,432)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation		—	80,511
Loss for the period		(195,974)	(38,921)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		—	77
Other comprehensive income for the period		—	77
Total comprehensive expenses for the period		(195,974)	(38,844)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company			
Loss from continuing operation		(193,681)	(118,664)
Profit from discontinued operation		—	47,888
		(193,681)	(70,776)
Non-controlling interests			
Loss from continuing operation		(2,293)	(768)
Profit from discontinued operation		—	32,623
		(2,293)	31,855
		(195,974)	(38,921)
Total comprehensive (expenses)/income attributable to:			
Owners of the Company			
		(193,681)	(70,669)
Non-controlling interests			
		(2,293)	31,825
		(195,974)	(38,844)
Loss per share			
From continuing and discontinued operations			
– Basic (RMB cents)	13	(3.89)	(1.42)
– Diluted (RMB cents)		(3.89)	(1.42)
From continuing operation			
– Basic (RMB cents)	13	(3.89)	(2.38)
– Diluted (RMB cents)		(3.89)	(2.38)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	14	28,054	27,966
Right-of-use assets	15	40,660	41,703
Solar power plants	16	1,212,436	1,202,669
Intangible assets	17	118,932	126,549
Interest in associates		37,845	36,109
Interests in a joint venture		—	—
Financial assets at fair value through profit or loss ("FVTPL")		1,000	1,000
Other non-current assets		24,604	23,033
Value-added tax recoverable – non-current		22,901	97,997
		1,486,432	1,557,026
Current assets			
Trade and other receivables	18	1,023,550	1,036,131
Receivables at FVTOCI		915	1,180
Value-added tax recoverable		11,703	18,409
Prepayments to suppliers		3,637	3,998
Amounts due from the related parties	19	989,371	1,599,840
Tax recoverables		—	76
Restricted bank deposits		13,945	6,882
Bank balances and cash		487,717	55,676
		2,530,838	2,722,192
Assets classified as held for sale	20	1,178,755	2,473,320
		3,709,593	5,195,512
Current liabilities			
Trade and other payables	21	670,791	542,859
Amounts due to the related parties	22	818,390	1,619,538
Lease liabilities		4,453	11,534
Provisions	23	219,090	201,017
Tax liabilities		915	—
Bank and other borrowings	24	1,598,013	1,596,234
Convertible bonds	25	32,427	37,376
Bond payables		585,372	585,372
		3,929,451	4,593,930
Liabilities directly associated with assets held for sale	20	820,094	1,581,198
		4,749,545	6,175,128

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Net current liabilities		(1,039,952)	(979,616)
Total assets less current liabilities		446,480	577,410
Non-current liabilities			
Bank and other borrowings	24	322,782	318,646
Loan from a related company	22	626,861	599,301
Lease liabilities		19,596	13,228
Convertible bonds	25	550,757	525,957
		1,519,996	1,457,132
Net liabilities		(1,073,516)	(879,722)
Capital and reserves			
Share capital	26	40,756	40,756
Reserves		(1,208,756)	(1,015,075)
Total equity attributable to owners of the Company		(1,168,000)	(974,319)
Non-controlling interests		94,484	94,597
Capital deficiency		(1,073,516)	(879,722)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2022

	Equity attributable to owners of the Company										
	Share capital	Share premium	Special reserve	FVTOCI reserve	Exchange reserve	Convertible bonds equity reserve	Share-based payment reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021 (audited)	40,756	6,076,424	(2,209,091)	(356)	5,029	879,850	119,369	(6,386,366)	(1,474,385)	1,557,436	83,051
(Loss)/Profit for the period (unaudited)	–	–	–	–	–	–	–	(70,776)	(70,776)	31,855	(38,921)
Other comprehensive income/(expenses) for the period (unaudited)	–	–	–	–	107	–	–	–	107	(30)	77
Total comprehensive income/(expenses) for the period (unaudited)	–	–	–	–	107	–	–	(70,776)	(70,669)	31,825	(38,844)
Transfer of profit for the period in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (unaudited)	–	–	–	–	–	–	–	(47,120)	(47,120)	47,120	–
At 30 June 2021 (unaudited)	40,756	6,076,424	(2,209,091)	(356)	5,136	879,850	119,369	(6,504,262)	(1,592,174)	1,636,381	44,207
Balance at 1 January 2022 (audited)	40,756	6,076,424	(1,074,110)	(209)	151	879,850	–	(6,897,181)	(974,319)	94,597	(879,722)
Loss for the period and total comprehensive expenses for the period (unaudited)	–	–	–	–	–	–	–	(193,681)	(193,681)	(2,293)	(195,974)
Capital injection by a non-controlling shareholder of a subsidiary (unaudited)	–	–	–	–	–	–	–	–	–	2,180	2,180
At 30 June 2022 (unaudited)	40,756	6,076,424	(1,074,110)	(209)	151	879,850	–	(7,090,862)	(1,168,000)	94,484	(1,073,516)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net cash generated from operating activities	78,240	127,556
Cash flows from investing activities		
Receipt of consideration receivables in respect of disposal of subsidiaries in previous years	947,721	177,220
Receipt of consideration receivables in respect of disposal of 2 Target Companies	298,421	—
Receipt of consideration receivables in respect of disposal of Wushi Longbai	72,306	—
Withdrawal of restricted bank deposits	13,534	8,547
Bank interest income received	2,535	459
Loan repayment from independent third parties	6,112	14,899
Placement of restricted bank deposits	(20,069)	(67,918)
Advance to independent third parties	(8,931)	—
Payments for acquisition of property, plant and equipment	(2,068)	(37,165)
Payments for construction cost in respect of solar power plants	(2,407)	(7,130)
Purchases of intangible assets	—	(181)
Payment for acquisition of financial assets at FVTPL	—	(1,000)
Net cash generated from investing activities	1,307,154	87,731
Cash flows from financing activities		
Repayment to the former subsidiaries	(1,109,788)	—
Interest paid for bank and other borrowings	(66,636)	(88,345)
Repayment of bank and other borrowings	(62,145)	(104,759)
Interest paid for convertible bonds	(11,547)	(6,328)
Repayment of lease liabilities	(4,244)	(900)
Repayment to independent third parties	(49)	(1,168)
Loan advanced from the former subsidiaries	291,591	—
New bank and other borrowings raised	6,491	10,000
Capital injection from a non-controlling shareholder of a subsidiary	2,180	—
Advance from independent third parties	773	—
Repayment of bond payables	—	(32,991)
Net cash used in financing activities	(953,374)	(224,491)
Net increase/(decrease) in cash and cash equivalents	432,020	(9,204)
Cash and cash equivalents at 1 January	55,730	226,746
Bank balance of subsidiaries eliminated upon transfer to assets classified as held for sale	(33)	(201,620)
Effect of foreign exchange rate changes	—	77
Cash and cash equivalents at 30 June	487,717	15,999
Cash and cash equivalents at end of period, represented by		
Bank balances and cash	487,717	15,999
	487,717	15,999

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

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

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

The Group incurred loss of RMB195,974,000 and RMB38,921,000 respectively for two consecutive period of six months ended 30 June 2022 and 2021, and the Group had net current liabilities of RMB1,039,952,000 and net liabilities of RMB1,073,516,000 as at 30 June 2022. As at 30 June 2022, the Group had bank and other borrowings, convertible bonds and bond payables totaling RMB2,215,812,000 repayable within one year or on demand. In addition, as at 30 June 2022, the Group had overdue bank and other borrowings and bonds payable of approximately RMB1,050,994,000 and RMB 585,372,000 respectively.

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

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

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

- (i) progressing the collection of the remaining sale proceeds in respect of the disposals of subsidiaries (note 18);
- (ii) completing the disposals of 4 Target Companies (as defined in note 20);

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

1. BASIS OF PREPARATION (Continued)

- (iii) completing disposal of subsidiaries;

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

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

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

- The Consideration will be settled by setting off RMB527,953,000 (equivalent to HK\$622,557,000) of outstanding principal of debts owed by the Vendor to the Purchaser on the date of completion of disposal.
 - the Purchaser has agreed to waive the remaining outstanding principal and interest owed by the Vendor to the Purchaser at the date of completion. As at 30 June 2022, the remaining outstanding principal and interest owed by the Vendor to the Purchaser are RMB32,847,000 (equivalent to HK\$38,444,000) and RMB99,708,000 (equivalent to HK\$116,699,000), respectively, and the amounts will be updated at the date of completion.
- (iv) continuing to negotiate with creditors, banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

3. FAIR VALUE MEASUREMENTS

Except as disclosed in note 25 to condensed consolidated the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

3. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy

Description	Fair value measurements as at 30 June 2022 using:			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Unlisted equity investments	—	—	1,000	1,000
Receivables at FVTOCI	—	915	—	915
Total recurring fair value measurements	—	915	1,000	1,915

Description	Fair value measurements as at 31 December 2021 using:			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Unlisted equity investments	—	—	1,000	1,000
Receivables at FVTOCI	—	1,180	—	1,180
Total recurring fair value measurements	—	1,180	1,000	2,180

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

3. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Financial assets at fair value through profit or loss		Total RMB'000
	Unlisted equity investments	Convertible debt instrument	
	RMB'000	RMB'000	
At 1 January 2022 and 30 June 2022	1,000	—	1,000

Description	Financial assets at fair value through profit or loss		Total RMB'000
	Unlisted equity investments	Convertible debt instrument	
	RMB'000	RMB'000	
At 1 January 2021	2,207	10,338	12,545
Purchases	1,000	—	1,000
Reclassified as held for sale	(2,207)	(10,338)	(12,545)
At 30 June 2021	1,000	—	1,000

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

3. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (Continued)

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value as at 30 June 2022 RMB'000
Receivables at FVTOCI	Income approach	Discount rate	915
Description	Valuation technique	Inputs	Fair value as at 31 December 2021 RMB'000
Receivables at FVTOCI	Income approach	Discount rate	1,180

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 30 June 2022 RMB'000
Unlisted equity investments classified as financial assets at FVTPL	Market approach	Market multiples		Increase	1,000
Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 31 December 2021 RMB'000
Unlisted equity investments classified as financial assets at FVTPL	Market approach	Market multiples		Increase	1,000

There were no changes in the valuation techniques used.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

4. REVENUE

Disaggregation of revenue

A. Disaggregation of revenue from contracts with customers

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

5. SEGMENT INFORMATION

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

5. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

Continuing operation

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

5. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Continuing operation (Continued)

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment (loss)/profit represents the profit earned or loss incurred by segment without allocation of bank interest income, central administration costs, finance costs, loss allowance recognised on financial guarantee contracts for a joint venture, loss allowance reversed/(recognised) on the amounts due from the related parties and share of profits of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Continuing operation		
Segment assets	3,666,147	5,053,031
Other unallocated assets	1,529,878	1,699,507
Consolidated assets	5,196,025	6,752,538
Continuing operation		
Segment liabilities	3,423,595	4,049,937
Other unallocated liabilities	2,845,946	3,582,323
Consolidated liabilities	6,269,541	7,632,260

Note:

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segment other than bank balances and cash, restricted bank deposits, financial assets at FVTPL, interests in associates and amounts due from the related parties; and
- All liabilities are allocated to operating segment other than lease liabilities, liability component of the Group's convertible bonds, financial guarantee provision for a joint venture, amounts due to the related parties, loan from a related company and bond payables liable for centralised financing of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

5. SEGMENT INFORMATION (Continued)

Entity-wide disclosures

The following table sets forth a breakdown of the Group's revenue for the six months ended 30 June 2022 and 2021:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Continuing operation		
Sales of electricity	47,482	106,808
Tariff subsidies (Note)	123,202	257,685
Total	170,684	364,493

Note:

The amount represents the tariff subsidies which were approximately 35% to 95% (Six months ended 30 June 2021: 38% to 87%) of the total electricity sales, adjusted with the amount of significant financing component. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

Geographical information

Revenue from continuing operation from external customers, based on locations of customers, and information about the Group's non-current assets attributable to the Group by geographic areas are as follows:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Continuing operation				
Mainland China	170,684	364,493	1,447,587	1,519,917

All the Group's non-current assets presented above, excluded those relating to interests in associates and a joint venture and financial assets at FVTPL.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

5. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group from continuing operation are as follows:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Company A	29,732	64,778
Company B	24,327	64,279
Company C	19,653	53,465
Company D	18,885	N/A ¹

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

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

Notes:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Continuing operation		
Impairment loss on assets classified as held for sale (Note (20))	(26,959)	—
Reversal/(provision) of impairment loss on solar power plants (Note (ii))	49,802	(17,672)
Loss on disposal of subsidiaries (Note 27)	(21,131)	—
Net foreign exchange (loss)/gain	(109,967)	26,932
Penalty	(7,378)	—
Others	(2,723)	—
	(118,356)	9,260

Notes:

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

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Continuing operation		
Loss allowances recognised/(reversed) on:		
Trade receivables – goods and services	764	1,205
Contract assets	—	39
Other receivables	(30,766)	(16,443)
Amounts due from the related parties	(42,031)	4,348
Financial guarantee contracts, net (Note 23)	7,756	8,292
	(64,277)	(2,559)

The basis of determining the inputs and assumptions and the estimation techniques used in these interim condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL (Continued)

During the six months ended 30 June 2022, the Group reversed loss allowance of RMB64,277,000 (six months ended 30 June 2021: RMB2,559,000), the reversal of ECL relating to other receivables was mainly due to the settlement of other receivables and amounts due from the related parties.

9. FINANCE COSTS

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

10. LOSS BEFORE INCOME TAX

Continuing operation

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

11. INCOME TAX EXPENSES

Continuing operation

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

12. DIVIDEND

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

13. LOSS PER SHARE – BASIC AND DILUTED

(a) Basic loss per share

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

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

(iii) From discontinued operation

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

13. LOSS PER SHARE – BASIC AND DILUTED (Continued)

(b) Diluted loss per share

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

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group had additions to property, plant and equipment of RMB622,000 (Six months ended 30 June 2021: RMB37,165,000).

During the six months ended 30 June 2022, the Group did not dispose of any property, plant and equipment (Six months ended 30 June 2021: Nil).

15. MOVEMENTS IN RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group have addition of RMB1,556,000 to right-of-use assets (Six months ended 30 June 2021: Nil).

16. MOVEMENTS IN SOLAR POWER PLANTS

During the six months ended 30 June 2022, the Group had additions to solar power plant under construction (including capital expenditure for incomplete solar power plants) of RMB1,501,000 (Six months ended 30 June 2021: RMB7,218,000).

During the six months ended 30 June 2022, no solar power plants (Six months ended 30 June 2021: RMB19,598,000) transferred from solar power plants under construction to completed solar power plants and reversal of impairment loss of RMB49,802,000 (Six months ended 30 June 2021: impairment loss of RMB17,672,000) and RMBnil (six months ended 30 June 2021: RMBnil) has been recognised to completed solar power plants and solar plants under construction respectively.

As at 30 June 2022, completed solar power plants and solar power plants under construction amounted to RMB1,211,923,000 (31 December 2021: RMB1,201,979,000) and RMB513,000 (31 December 2021: RMB690,000), respectively.

17. MOVEMENTS IN INTANGIBLE ASSETS

During the six months ended 30 June 2022, the Group had no addition to intangible assets (Six months ended 30 June 2021: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

18. TRADE AND OTHER RECEIVABLES

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

Notes:

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

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

- (ii) All balances due are unsecured, interest-free and repayable on demand. Management of the Company expects the balances would be settled within the next 12 months after the end of the reporting period.
- (iii) As at 30 June 2022, the amount included consideration receivable from the disposal of the subsidiaries amounting to RMB303,405,000, net of loss allowance of RMB32,770,000 (31 December 2021: RMB537,449,000, net of loss allowance of RMB61,447,000). The amount was non-trade in nature, unsecured, interest-free and repayable within one year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

18. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (iv) As at 30 June 2022, the amount included consideration receivable from the disposal of Wushi Longbai and 2 Target Companies amounting to RMB136,580,000, net of loss allowance of RMB8,134,000 (note 27).
- (v) The amount represented deposits placed by the Group in the security deposits account opened in the independent financial institution, which was one of the corporate bondholders of one subsidiary of the Group. Pursuant to the maturity notice dated on 15 June 2018, an offsetting right has been granted by the Group to the independent financial institution, allowing it to offset the security deposits against the Group's outstanding corporate bond payable upon the maturity of the corporate bond. The Group and the bondholder have entered into a supplementary agreement to extend the due dates of the remaining outstanding amounts of corporate bond payable to 25 October 2021. As at 30 June 2022, loss allowance of RMB1,537,000 (31 December 2021: RMB5,074,000) was recognised.
- (vi) As at 30 June 2022 and 31 December 2021, balances mainly represented custom deposits and advances to staff for the operational purpose.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

18. TRADE AND OTHER RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables (which with a defined credit policy), net of loss allowance, presented based on goods delivery and electricity transmitted dates, which approximated the respective revenue recognition date, at the end of the reporting period:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0 to 30 days	9,365	3,993
31 to 60 days	2,373	612
61 to 90 days	968	878
91 to 180 days	2,113	4,208
Over 180 days	8,441	4,607
	23,260	14,298

19. AMOUNTS DUE FROM THE RELATED PARTIES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Consideration receivables arising from the disposal of subsidiaries in previous year (Note (i))	907,237	1,547,123
Amount due from a non-controlling shareholder (Note (ii))	3,314	2,940
Loan advanced to the related parties (Note (iii))	75,340	46,695
Trade receivables (Note (iv))	7,669	6,786
Less: loss allowance recognised	(4,189)	(3,704)
	989,371	1,599,840

Notes:

- (i) As at 30 June 2022, the amount included RMB907,237,000 (net of loss allowance of RMB60,214,000) (31 December 2021: RMB1,547,123,000 (net of loss allowance of RMB105,328,000)), representing the consideration receivable from Asia Pacific Resources Development Investment Limited ("Asia Pacific Resources"), an indirect wholly-owned company controlled by Mr. Cheng, a substantial shareholder of the Company, arising from disposal of subsidiaries in 2019.
- (ii) As at 30 June 2022, the amount included RMB3,314,000 (net of loss allowance of RMB217,000) (31 December 2021: RMB2,940,000 (net of loss allowance of RMB126,000)), representing the receivable from a non-controlling shareholder. The amount due was unsecured, interest-free, and repayable on demand.
- (iii) As at 30 June 2022, the amount included RMB75,340,000 (net of loss allowance of RMB5,636,000) (31 December 2021: RMB46,695,000 (net of loss allowance of RMB3,129,000)), representing the loan advanced to former subsidiaries, which are now indirectly and wholly-owned by Mr. Cheng. The amounts due were unsecured, interest-free, and repayable within one year.
- (iv) As at 30 June 2022, the amount mainly included RMB3,480,000 (net of loss allowance of RMB4,189,000) (31 December 2021: RMB3,082,000 (net of loss allowance of RMB3,704,000)), arising from the supply and the sales of electricity to the former subsidiaries, which are now indirectly and wholly-owned by Mr. Cheng, generated from the Group's roof-top solar power plant, which was trade related, unsecured and interest-free, and the credit period granted by the Group to the related party was 180 days. Balance as at 30 June 2022 and 31 December 2021 was all aged over 180 days based on the electricity transmitted date.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

20. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

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

As at 30 June 2022

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

20. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

As at 31 December 2021

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

20. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

(i) Disposal of the 5 Target Companies

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

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

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

Disposal of Wushi Longbai was completed during the year ended 30 June 2022.

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

20. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

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

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

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

(ii) Disposal of the 2 Target Companies

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

21. TRADE AND OTHER PAYABLES

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

Notes:

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

22. AMOUNTS DUE TO THE RELATED PARTIES/LOAN FROM A RELATED COMPANY

Analysed for reporting purpose as:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Current		
Loan advanced from the former subsidiaries (Note (i))	763,577	1,588,414
Payable to a non-controlling shareholder	30,000	30,000
Interest payable to a related company (Note (ii))	24,813	1,124
	818,390	1,619,538
Non-current		
Loan from a related company (Note (ii))	626,861	599,301

Notes:

- (i) As at 30 June 2022, the balances due to the former subsidiaries, which is now directly and wholly-owned by Mr. Cheng, a substantial shareholder of the Company, were non-trade in nature, unsecured, interest-free and repayable on demand.
- (ii) On 23 December 2021, the Group entered into a framework agreement and all relevant legal documents with Sino Alliance and Asia Pacific Resources, in which Asia Pacific Resources settled the total amount of HKD733,000,000 (equivalent to RMB599,301,000) to Sino Alliance on behalf of the Group. As at 30 June 2022, the amount of HKD733,000,000 (31 December 2021: HKD733,000,000) was unsecured, carried interest rate at 7.5% per annum and repayable on 22 December 2023. The interest payable to Asia Pacific Resources amounting to RMB24,813,000 (31 December 2021: RMB1,124,000) was non-trade in nature, unsecured, interest-free and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

23. PROVISIONS

	Financial guarantee (note (a)) RMB'000	Provision on legal claims (note (b)) RMB'000	Total RMB'000
At 1 January 2021 (Audited)	187,646	—	187,646
Provision for the period	8,292	—	8,292
Exchange adjustments	(448)	—	(448)
At 30 June 2021 (Unaudited)	195,490	—	195,490
At 1 January 2022 (Audited)	190,017	11,000	201,017
Provision for the period	7,756	—	7,756
Exchange adjustments	10,317	—	10,317
At 30 June 2022 (Unaudited)	208,090	11,000	219,090

Notes:

- (a) The Company provided financial guarantee for Suniva Inc. ("Suniva"), a joint venture of the Group. In light of loss incurred, Suniva declared bankruptcy during the year ended 31 December 2017. The Company made full provision on the financial guarantee in respect of Suniva's outstanding bank borrowing and the accumulated accrued interest expenses which carried interest at 7% per annum.

During the six months ended 30 June 2022, the Group made further provision of RMB7,756,000 (six months ended 30 June 2021: RMB8,292,000) relating to the additional outstanding interest expense that the Group is obliged to settle for Suniva.

- (b) On 14 October 2021, an immaterial non-controlling shareholder lodged a litigation against Jiangxi Shunfeng that Jiangxi Shunfeng is obliged to compensate the non-controlling shareholder for loss on service fee income arising from the insufficient investment in a photovoltaic project. Full amount was included in the provision on legal claims as at 30 June 2022 and the settlement had not yet been made up to the date of approval of these condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

24. BANK AND OTHER BORROWINGS

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Bank borrowings	491,681	476,263
Other borrowings	1,429,114	1,438,617
	1,920,795	1,914,880
Secured and guaranteed	782,499	776,502
Secured and unguaranteed	838,976	852,218
Unsecured and unguaranteed	299,320	286,160
	1,920,795	1,914,880
Fixed-rate borrowings	1,231,275	1,209,918
Variable-rate borrowings	689,520	704,962
	1,920,795	1,914,880
Carrying amount repayable:		
Within one year	1,360,116	1,363,361
More than one year, but not exceeding two years	236,066	252,070
More than two years, but not exceeding five years	207,839	177,826
More than five years	116,774	121,623
	1,920,795	1,914,880
Less: amounts due within one year shown under current liabilities	(1,598,013)	(1,596,234)
Amounts shown under non-current liabilities	322,782	318,646

As at 30 June 2022, the amounts of borrowings overdue was approximately RMB1,050,994,000 (31 December 2021: RMB 853,117,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

24. BANK AND OTHER BORROWINGS (Continued)

The banking facilities of the Group were secured by the following assets:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Restricted bank deposits	13,945	6,882
Solar power plants	642,581	725,221
Trade receivables, contract assets and accrued revenue on tariff subsidies	360,613	311,501
Security deposit included in trade and other receivables	105,963	101,926
Other deposits included in other non-current assets	24,604	23,033
	1,147,706	1,168,563

The Group had pledged its 100% equity interest in Shunfeng Photovoltaic Holdings Limited. Meanwhile, in respect of 13 (31 December 2021: 12) subsidiaries of the Group which operated solar power generation, their entire equity interests and related assets were also pledged in order to obtain bank and other borrowings.

The ranges of effective interest rate of the Group's interest-bearing borrowings are as follows:

	30 June 2022	31 December 2021
Effective interest rate:		
Fixed rate borrowings	2.00% to 10.00%	3.00% to 11.00%
Variable rate borrowings	4.90% to 8.00%	3.22% to 8.00%

As at 30 June 2022 and 31 December 2021, the Group had variable-rate borrowings which carried interest based on the benchmark interest rate issued by the PBOC. Interest was reset every one month, three months or one year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

25. CONVERTIBLE BONDS

The movements of the liability components of the convertible bonds during the six months ended 30 June 2022 and 2021 are set out below:

	First CB (note (a)) RMB'000	Second CB (note (b)) RMB'000	Third CB (note (c)) RMB'000	Total RMB'000
At 1 January 2021 (Audited)	73,306	371,825	84,008	529,139
Effective interest expense charged for the period	7,603	–	8,447	16,050
At 30 June 2021 (Unaudited)	80,909	371,825	92,455	545,189
At 31 December 2021 and 1 January 2022 (Audited)	89,594	371,825	101,914	563,333
Effective interest expense charged for the period	9,602	–	10,249	19,851
At 30 June 2022 (Unaudited)	99,196	371,825	112,163	583,184
Representing:				
At 30 June 2022 (Unaudited)				
Current liabilities	30,717	1,710	–	32,427
Non-current liabilities	68,479	370,115	112,163	550,757
	99,196	371,825	112,163	583,184
At 31 December 2021 (Audited)				
Current liabilities	35,666	1,710	–	37,376
Non-current liabilities	53,928	370,115	101,914	525,957
	89,594	371,825	101,914	563,333

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

25. CONVERTIBLE BONDS (Continued)

(a) First CB (as defined below)

On 28 February 2013, the Company issued zero-coupon convertible bonds at par to Peace Link, with principal amount of HKD449,400,000 (equivalent to RMB356,660,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("First CB"). Please refer to the annual report of 2021 for details.

As at 30 June 2022, certain portion of the First CB of RMB30,717,000 (31 December 2021: RMB35,666,000) was classified as current liability as the early redemption option gives the holder the right (except for Peace Link has waived such right as detailed below) to require the Company to redeem 100% (31 December 2021: 10%) of the First CB on demand on 28 February 2023 (31 December 2021: 28 February 2018). Meanwhile, as at 30 June 2022, the remaining portion of the First CB of RMB68,479,000 (31 December 2021: RMB53,928,000) was classified as non-current liability as the Group has obtained intention letter from Peace Link, one of convertible bondholder of the First CB, which expressed its consent not to exercise the right to early redemption for a period of 12 months from the end of the reporting period.

(b) Second CB (as defined below)

On 19 August 2013, the Company issued convertible bonds at par to Peace Link with principal amount of HKD930,500,000 (equivalent to RMB738,492,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Second CB"). Please refer to the annual report of 2021 for details.

As at 30 June 2022 and 31 December 2021, the Second CB of RMB1,710,000 was classified as current liability as the early redemption option gives the holder the right (except for Peace Link has waived such right as detailed below) to require the Company to redeem up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

Meanwhile, as at 30 June 2022 and 31 December 2021, the Second CB of RMB370,115,000 was classified as non-current liability as the Group has obtained intention letter from Peace Link, one of the convertible bondholders of the Second CB, which expressed its consent not to exercise the right to early redemption for a period of 12 months from the end of the reporting period.

(c) Third CB (as defined below)

On 16 April 2014, the Company issued zero-coupon convertible bonds at par to Peace Link and other independent third parties with aggregate principal amount of HKD3,580,000,000 (equivalent to RMB2,841,270,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Third CB"). Please refer to the annual report of 2021 for details.

- (d) The directors estimate the fair value of the liability component of the convertible bonds at 30 June 2022 to be approximately RMB445,838,000 (31 December 2021: RMB416,847,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 3 fair value measurements).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

26. SHARE CAPITAL

	Number of shares	Amount HKD
Authorised		
At 1 January 2021 (Audited), 31 December 2021 (Audited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited) – Ordinary shares of HKD0.01 each	10,000,000,000	100,000,000
	Number of shares	Amount HKD
Issued and fully paid		
At 1 January 2021 (Audited), 31 December 2021 (Audited), 1 January 2022 (Audited) and 30 June 2022 (Unaudited)	4,982,375,490	49,823,755
	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Presented in the interim condensed consolidated financial statements as	40,756	40,756

27. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Wushi Longbai

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

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

- the cash consideration of RMB1,330,000, to be payable by China Power Investment to the Group by three tranches; and

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

27. DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of Wushi Longbai (Continued)

- relevant payables representing the relevant amounts payable by Wushi Longbai to the Group by two tranches. The relevant payables were amounted to RMB120,642,000 as at disposal dates.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

27. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of the 2 Target Companies

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

27. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of the 2 Target Companies (Continued)

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

28. RELATED PARTY DISCLOSURES

(a) Related party transactions

Save as disclosed elsewhere in these interim condensed consolidated financial statements, the Group had also entered into the following related party transactions during the six months ended 2022 and 2021.

Name of related parties	Relationship	Nature of transactions	Six months ended 30 June	
			2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Tiancheng International Auctioneer Limited ("Tiancheng International") ("天成國際拍賣有限公司")	Note (i)	Interest expense on lease liabilities	106	213
Wuxi Suntech	Note (ii)	Sales of power generation	782	759
Asia Pacific Resources	Note (iii)	Interest expense	23,008	—

Notes:

- (i) Management considers Tiancheng International is a related party as it is 100% owned by Ms. Zheng Yan, who is the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company).
- (ii) Management considers Wuxi Suntech is a related party of the Group as it is held by Asia Pacific Resources, an entity wholly-owned and controlled by Mr. Cheng, a substantial shareholder of the Company.
- (iii) Management of the Company considers Asia Pacific Resources is a related party as it is 100% owned and controlled by Mr. Cheng, a substantial shareholder of the Company.

(b) Related party balances

Save as disclosed elsewhere in these interim condensed consolidated financial statements, the Group had the following significant outstanding balances with related parties as at 30 June 2022 and 31 December 2021:

Name of related parties	Name of balances	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
		Tiancheng International	Lease liabilities

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

28. RELATED PARTY DISCLOSURES (Continued)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the six months ended 30 June 2022 and 2021 was as follows:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Basic salaries and allowances	3,650	4,152
Retirement benefit scheme contributions	30	30
	3,680	4,182

The remuneration of directors and key management is determined with reference to the performance of individuals and market trends.

29. CONTINGENT LIABILITIES AND MAJOR LITIGATION

(a) Contingent liabilities

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Guarantees provided to financial institutions, in respect of banking facilities to independent third parties:		
Total guarantee amounts	208,090	190,017
Less: amount provided as financial guarantee contracts	(208,090)	(190,017)
Unprovided amount	—	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

29. CONTINGENT LIABILITIES AND MAJOR LITIGATION(Continued)

(b) Major litigation

(i) Arbitration lodged by two bondholders of corporate bonds (the “2015 Corporate Bond”)

In September 2021, two bondholders of the 2015 Corporate Bond initiated an arbitration with the Group through Shanghai Arbitration Commission for the settlement of the outstanding loan principal of RMB329,909,000 and interest payable of RMB61,562,000 immediately. Further, a freezing order was issued by the court upon the application by the two bondholders of the 2015 Corporate Bond and accordingly, the equity interests of four subsidiaries, being Xinjiang Tianli, Jiangsu Shunyang New Energy, Jiangxi Shunfeng and Turpan Shunfeng, have been put under the freezing order. As at 30 June, 2022, the total principal amount of RMB329,909,000 and accrued bond interest of RMB68,548,000 were recognised in “Bond payables” and “Trade and other payables”. In April 2022, the above proceedings have not been completed in the Shanghai Arbitration Commission.

(ii) Litigation lodged by a non-controlling shareholder

On 14 October 2021, an immaterial non-controlling shareholder lodged a litigation against Jiangxi Shunfeng, an indirect wholly-owned subsidiary of the Company, that Jiangxi Shunfeng is obliged to compensate the non-controlling shareholder for loss on service fee income arising from the insufficient investment in a photovoltaic project. The full amount was included in the provisions on legal claims as at 30 June 2022 and the settlement had not yet been made up to the date of approval of these consolidated financial statements.

(iii) Litigation lodged by CDB

On 20 May 2021, CDB lodged a litigation against Taojiang Saiwei Photovoltaic Technology Co., Ltd. (桃江賽維光伏科技有限公司), an indirect wholly-owned subsidiary of the Company, requesting Taojiang Saiwei to repay the outstanding loan principal of RMB22,185,000 and relevant interest payable. As at 30 June 2022, the total principal amount RMB22,185,000 were recognised as current liabilities in bank and other borrowings.

30. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 August 2022.

DEFINITIONS

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

"Board"	the board of director(s) of the Company
"Company", "we" or "us"	Shunfeng International Clean Energy Limited
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HKD" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"LED"	light-emitting diode
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MW"	megawatt, which equals to one million watt
"MWh"	megawatt hour
"Period"	six months ended 30 June 2022
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK\$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Wuxi Suntech"	Wuxi Suntech Power Co., Ltd.