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江山控股

KongSun Holdings

KONG SUN HOLDINGS LIMITED

江山控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 295)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “Board”) of directors (the “Directors”) of Kong Sun Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

(Expressed in Renminbi unless otherwise stated)

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	284,980	563,676
Cost of sales		(154,424)	(218,323)
Gross profit		130,556	345,353
Other gains and losses	4	1,817	10,675
Administrative expenses		(88,384)	(104,217)
Loss on disposal of subsidiaries, net		(3,736)	(49,058)
Impairment loss on a disposal group classified as held for sale		(4,176)	(2,692)
Impairment loss on trade and other receivables, net	10	(10,084)	(62,783)
Finance costs	5	(106,852)	(290,843)
Share of (loss)/profit of associates		(958)	7,183
Loss before income tax	6	(81,817)	(146,382)
Income tax expense	7	(7,648)	(6,916)
Loss for the period		(89,465)	(153,298)

	Six months ended 30 June	
	2022	2021
	<i>Notes</i> RMB'000 (Unaudited)	RMB'000 (Unaudited)
Loss for the period attributable to:		
Owners of the Company	(91,103)	(153,362)
Non-controlling interests	1,638	64
	(89,465)	(153,298)
Loss per share attributable to owners of the Company for the period		
Basic (RMB cents)	(0.61)	(1.02)
Diluted (RMB cents)	(0.61)	(1.02)

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CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

(Expressed in Renminbi unless otherwise stated)

	Six months ended 30 June	
	2022	2021
Notes	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(91,103)	(153,298)
Other comprehensive income, net of tax		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes in financial assets measured at fair value through other comprehensive income, net	(16,190)	(6,602)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	(13,666)	4,121
Other comprehensive income for the period, net of tax	(29,856)	(2,481)
Total comprehensive income for the period	(120,959)	(155,779)
Total comprehensive income attributable to:		
Owners of the Company	(122,597)	(155,843)
Non-controlling interests	1,638	64
	(120,959)	(155,779)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Expressed in Renminbi unless otherwise stated)

		At 30 June 2022	At 31 December 2021
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		18,533	23,985
Solar power plants		2,085,904	2,851,655
Interests in associates		171,279	172,237
Goodwill		547	547
Right-of-use assets		177,513	191,566
Financial assets measured at fair value through other comprehensive income		897,689	1,186,361
Deferred tax assets		9,785	8,121
		<u>3,361,250</u>	<u>4,434,472</u>
Current assets			
Inventories		290	939
Trade and other receivables	10	2,709,778	2,626,491
Cash and cash equivalents		209,380	699,574
		<u>2,919,448</u>	<u>3,327,004</u>
Assets of a disposal group classified as held for sale		<u>311,489</u>	<u>473,394</u>
Total current assets		<u>3,230,937</u>	<u>3,800,398</u>

		At 30 June 2022 RMB '000 (Unaudited)	At 31 December 2021 RMB '000 (Audited)
	Notes		
Current liabilities			
Trade and other payables	11	348,648	506,230
Lease liabilities		21,267	19,988
Loans and borrowings		1,166,004	1,812,740
Corporate bonds		17,510	69,117
Tax payable		3,440	6,979
		<u>1,556,869</u>	<u>2,415,054</u>
Liabilities of a disposal group classified as held for sale		<u>28,654</u>	<u>145,974</u>
Total current liabilities		<u>1,585,523</u>	<u>2,561,028</u>
Net current assets		<u>1,645,414</u>	<u>1,239,370</u>
Total assets less current liabilities		<u>5,006,664</u>	<u>5,673,842</u>
Non-current liabilities			
Lease liabilities		119,709	125,250
Loans and borrowings		1,237,997	1,774,987
Corporate bonds		6,445	12,087
		<u>1,364,151</u>	<u>1,912,324</u>
NET ASSETS		<u><u>3,642,513</u></u>	<u><u>3,761,518</u></u>
CAPITAL AND RESERVES			
Share capital	12	6,486,588	6,486,588
Reserves		<u>(2,929,204)</u>	<u>(2,808,561)</u>
Equity attributable to owners of the Company		<u>3,557,384</u>	<u>3,678,027</u>
Non-controlling interests		<u>85,129</u>	<u>83,491</u>
TOTAL EQUITY		<u><u>3,642,513</u></u>	<u><u>3,761,518</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issued on 26 August 2022.

The financial information relating to the financial year ended 31 December 2021 that is included in the condensed consolidated interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) of the Laws of Hong Kong (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6, to the Companies Ordinance.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The unaudited interim financial information contains the condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

These condensed consolidated interim financial information are unaudited and have not been reviewed by the auditors, but have been reviewed by the audit committee of the Company (“Audit Committee”) and approved and authorised for issue by the Board on 26 August 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the financial statements contained in the 2021 annual report except for the adoption of the new standards, amendments or interpretations issued by the HKICPA which are mandatory for the annual periods beginning on or after 1 January 2022.

For the six months ended 30 June 2022, the Group have applied the following new and amendments to HKFRS issued by the HKICPA which were effective for the annual periods beginning on or after 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments and HKFRS 16 Leases
Amendments to HKFRS 3	Reference to the Conceptual Framework

The following new or revised HKFRSs, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ²

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

² Effective for annual periods beginning on or after 1 January 2023.

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

3. REVENUE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of electricity	215,861	532,676
Provision of solar power plant operation and maintenance services	51,713	20,499
Interest income generated from provision of financial services	17,406	10,501
	<u>284,980</u>	<u>563,676</u>

During the six months ended 30 June 2022, sales of electricity includes renewable energy subsidies amounted to approximately RMB128,027,000 (six months ended 30 June 2021: RMB352,647,000).

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	2,149	1,191
Net foreign exchange gain	7,200	693
Net realised gain on disposals of financial assets measured at fair value through profit or loss	—	284
Properties rental income	5,248	5,221
Government allowance	391	369
Solar power plant rectification expenses	(11,722)	(914)
Others	(1,449)	3,831
	<u>1,817</u>	<u>10,675</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest on loans and borrowings	99,101	270,473
Imputed interest on corporate bonds	1,674	13,275
Interest on lease liabilities	6,077	7,095
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	106,852	290,843
Less: interest expense capitalised into solar power plants under construction	—	—
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	106,852	290,843
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6. LOSS BEFORE INCOME TAX

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

A. Employee benefit expenses (including directors' emoluments)

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, wages and other benefits	72,591	56,556
Contributions to defined contribution retirement plan	10,115	7,969
Equity-settled share-based payment expenses	316	1,203
	<hr/>	<hr/>
	83,022	65,728
	<hr/>	<hr/>

B. Other items

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Amortization of right-of-use assets	11,762	13,799
Auditor's remuneration	790	21
Depreciation		
— Property, plant and equipment	1,677	2,098
— Solar power plants	76,234	156,306
Operating lease expenses in respect of short-term leases	1,047	2,407
	<hr/>	<hr/>

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
— PRC corporate income tax	9,312	6,916
Deferred tax	(1,664)	—
	<u>7,648</u>	<u>6,916</u>

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the six months ended 30 June 2022 and 2021.

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

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

The calculation of basic and diluted loss per share for the six months ended 30 June 2022 is based on loss attributable to owners of the Company for the period of approximately RMB91,103,000 (six months ended 30 June 2021: RMB153,362,000) and on the weighted average number of approximately 14,964,442,000 (six months ended 30 June 2021: 14,964,442,000) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2022 and 2021 was the same as basic loss per share because the impact of the exercise of share options was antidilutive.

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2022 nor has any dividend been proposed since the end of the reporting period up to the date of this announcement (six months ended 30 June 2021: Nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables	1,430,850	1,568,306
Impairment provision for trade receivables	<u>(35,789)</u>	<u>(24,907)</u>
Trade receivables, net (<i>note (i)</i>)	<u>1,395,061</u>	<u>1,543,399</u>
Other receivables, prepayments and deposits	1,594,633	1,365,673
Impairment provision for other receivables	<u>(279,916)</u>	<u>(282,581)</u>
Other receivables, prepayments and deposits, net	<u>1,314,717</u>	<u>1,083,092</u>
	<u>2,709,778</u>	<u>2,626,491</u>

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Less than 3 months	131,014	310,896
Over 3 months but less than 6 months	124,533	81,815
Over 6 months but less than 12 months	123,102	155,732
Over 12 months but less than 24 months	378,210	291,908
Over 24 months	<u>638,202</u>	<u>703,048</u>
	<u>1,395,061</u>	<u>1,543,399</u>

Movements in provision for impairment of trade and other receivables for the six months ended 30 June 2022 are as follows:

	Trade receivables RMB'000 (Unaudited)	Other receivables RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
At 1 January 2022	24,907	282,581	307,488
Impairment provision/(reversal) during the period	10,882	(798)	10,084
Disposal of subsidiaries	—	(1,867)	(1,867)
At 30 June 2022	<u>35,789</u>	<u>279,916</u>	<u>315,705</u>

Notes:

- (i) The Group's trade receivables are mainly receivables from sales of electricity. The bills receivables represented outstanding commercial acceptance bills. Generally, the receivables are due within 30 to 180 days as at 30 June 2022 (31 December 2021: 30 to 180 days) from the date of billing, except for renewable energy subsidies.

Renewable energy subsidies receivables represent PRC government subsidies on solar power plants to be received from the State Grid Company based on the respective electricity sale and purchase agreements for each of the solar power plants and the prevailing nationwide government policies. As at 30 June 2022, the outstanding renewable energy subsidies amounted to approximately RMB1,067,224,000 (31 December 2021: RMB1,268,357,000).

- (ii) As at 30 June 2022, certain trade receivables arising from the sales of electricity amounting to approximately RMB763,566,000 (31 December 2021: RMB923,394,000) were pledged as securities for the Group's loans and borrowings.

11. TRADE AND OTHER PAYABLES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	126,208	167,555
Other payables and accruals	222,440	338,675
	<u>348,648</u>	<u>506,230</u>

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Current or less than 3 months	1,778	17,140
Over 3 months but less than 6 months	159	1,053
Over 6 months but less than 12 months	4,056	75,431
Over 12 months	120,215	73,931
	<u>126,208</u>	<u>167,555</u>

12. SHARE CAPITAL

	Number of shares '000	<i>RMB'000</i>
Issued and fully paid:		
At 1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>14,964,442</u>	<u>6,486,588</u>

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

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

SOLAR POWER PLANTS BUSINESS

During the six months ended 30 June 2022, the Group continued its investment in and development of solar power plants in the People’s Republic of China (the “PRC”). As at 30 June 2022, the Group had a total of 389.8 megawatt (“MW”) completed solar power plants as follows:

Completed solar power plants

PRC Province	Number of solar power plants	Capacity of solar power plants
Shaanxi	4	140.0 MW
Inner Mongolia	1	10.0 MW
Shanxi	1	20.0 MW
Hebei	1	30.0 MW
Anhui	5	140.0 MW
Zhejiang	1	19.8 MW
Hubei	1	30.0 MW
Total	14	389.8 MW

PROVISION OF FINANCIAL SERVICES

The revenue arising from the provision of financial services increased by approximately 65.8% from approximately RMB10,501,000 for the six months ended 30 June 2021 to approximately RMB17,406,000 for the six months ended 30 June 2022.

RESULTS OF OPERATIONS

Revenue

The revenue of the Group decreased by approximately 49.4% from approximately RMB563,676,000 for the six months ended 30 June 2021 to approximately RMB284,980,000 for the six months ended 30 June 2022. The decrease was due to the decrease in revenue from sales of electricity during the period.

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

The Group's revenue from sales of electricity decreased by approximately 59.5% from approximately RMB532,676,000 for the six months ended 30 June 2021 to approximately RMB215,861,000 for the six months ended 30 June 2022. As at 30 June 2022, the Group had a total of 389.8 MW (31 December 2021: 529.8 MW) installed capacity of solar power plants. The solar power plants owned by the Group have generated electricity in an aggregate volume of approximately 288,885 megawatt-hour ("MWh") for the six months ended 30 June 2022, representing a decrease of approximately 59.8% as compared to approximately 718,774 MWh for the six months ended 30 June 2021.

The Group's revenue from provision of solar power plant operation and maintenance services increased by approximately 152.3% from approximately RMB20,499,000 for the six months ended 30 June 2021 to approximately RMB51,713,000 for the six months ended 30 June 2022.

Revenue from Provision of Financial Services

The Group's revenue arising from the provision of financial services increased by approximately 65.8% from approximately RMB10,501,000 for the six months ended 30 June 2021 to approximately RMB17,406,000 for the six months ended 30 June 2022.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately 62.2% from approximately RMB345,353,000 for the six months ended 30 June 2021 to approximately RMB130,556,000 for the six months ended 30 June 2022. The gross profit margin of the Group decreased from approximately 61.3% for the six months ended 30 June 2021 to approximately 45.8% for the six months ended 30 June 2022 mainly due to the disposal of subsidiaries which had a higher gross profit margin than that of the Group during the period.

Other Gains and Losses

The other gains and losses of the Group decreased by approximately 83.0% from approximately RMB10,675,000 for the six months ended 30 June 2021 to approximately RMB1,817,000 for the six months ended 30 June 2022. The decrease was mainly due to the increase in solar power plant rectification expense of approximately RMB10,808,000, offset by the increase in net foreign exchange gain of approximately RMB6,507,000.

Administrative Expenses

Administrative expenses of the Group decreased by approximately 15.2% from approximately RMB104,217,000 for the six months ended 30 June 2021 to approximately RMB88,384,000 for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in overall administrative expense of the Group during the six months ended 30 June 2022.

Loss on Disposal of Subsidiaries, Net

During the six months ended 30 June 2022, the Group disposed of three (six months ended 30 June 2021: three) subsidiaries, and recorded net loss on such disposals of approximately RMB3,736,000 (six months ended 30 June 2021: RMB49,058,000).

Impairment loss on a disposal group classified as held for sale

During the six months ended 30 June 2022, the Group has recorded an impairment loss on a disposal group classified as held for sale of approximately RMB4,176,000 (six months ended 30 June 2021: RMB2,692,000) for reasons set out below:

On 10 July 2021, the Group entered into sale and purchase agreement with an independent third party to dispose of the entire equity interests in 黃驊市正陽新能源有限公司 (Huanghua Zhengyang New Energy Limited*) (“Huanghua Zhengyang”) for an equity consideration of approximately RMB241,476,000.

An impairment loss of approximately RMB4,176,000, representing the difference between the net asset value of Huanghua Zhengyang as at 31 December 2021 and 30 June 2022, was charged to profit or loss during the six months ended 30 June 2022.

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

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

Impairment loss on trade and other receivables, net

During the six months ended 30 June 2022, impairment loss regarding certain trade and other receivables, net amounting to approximately RMB10,084,000 (six months ended 30 June 2021: RMB62,783,000) was recorded based on the lifetime expected credit losses (six months ended 30 June 2021: not being able to recover certain other receivables related to rectification work of solar power plants).

Finance Costs

Finance costs of the Group decreased by approximately 63.3% from approximately RMB290,843,000 for the six months ended 30 June 2021 to approximately RMB106,852,000 for the six months ended 30 June 2022. As the Group's total loans and borrowings decreased as compared to the corresponding period last year, the finance costs related to these borrowings also decreased.

Solar Power Plants

As at 30 June 2022, the Group had a net carrying value of approximately RMB2,078,712,000 (31 December 2021: RMB2,844,751,000) and approximately RMB7,192,000 (31 December 2021: RMB6,904,000) in completed solar power plants and solar power plants under construction, respectively. During the six months ended 30 June 2022, the Group successfully completed the disposals of solar power plants of three (six months ended 30 June 2021: three) subsidiaries with total installed capacity of 140 MW (six months ended 30 June 2021: 340 MW). As at 30 June 2022, the Group had a total of 389.8 MW (31 December 2021: 529.8 MW) installed capacity of completed solar power plants.

Interest in associates

As at 30 June 2022, the net carrying amount of associates was approximately RMB171,279,000 (31 December 2021: RMB172,237,000).

Goodwill

As at 30 June 2022, the Group had a total amount of approximately RMB547,000 (31 December 2021: RMB547,000) in respect of goodwill on the previous acquisitions of subsidiaries.

Right-of-use Assets

As at 30 June 2022, the right-of-use assets amounted to approximately RMB177,513,000 (31 December 2021: RMB191,566,000). The decrease was mainly contributed by amortization during the period.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income decreased by approximately 24.3% from approximately RMB1,186,361,000 as at 31 December 2021 to approximately RMB897,689,000 as at 30 June 2022. The decrease was due to (i) the return of capital from 蘇州君盛晶石股權投資合夥企業(有限合夥)(Suzhou Junsheng Jingshi Equity Investment Partnership (Limited Partnership)*) and 嘉興盛世神州永贏投資合夥企業(有限合夥)(Jiaxing Shengshi Shenzhou Yongying Investment Partnership (Limited Partnership)*) of approximately RMB92,500,000 and RMB180,000,000, respectively; and (ii) the fair value loss of approximately RMB16,190,000. The investments are held for long-term investment purpose and hence are classified as financial assets measured at fair value through other comprehensive income in the condensed consolidated statement of financial position.

Trade and Other Receivables

Trade and other receivables increased by approximately 3.2% from approximately RMB2,626,491,000 as at 31 December 2021 to approximately RMB2,709,778,000 as at 30 June 2022.

Trade and Other Payables

Trade and other payables decreased by approximately 31.1% from approximately RMB506,230,000 as at 31 December 2021 to approximately RMB348,648,000 as at 30 June 2022. The decrease was mainly due to disposals of subsidiaries during the period.

Lease Liabilities

As at 30 June 2022, the lease liabilities amounted to approximately RMB140,976,000 (31 December 2021: RMB145,238,000).

Liquidity and Capital Resources

As at 30 June 2022, cash and cash equivalents of the Group was approximately RMB209,380,000 (31 December 2021: RMB699,574,000), which included an amount of bank balances of approximately RMB199,455,000 (31 December 2021: RMB689,139,000) denominated in RMB placed with banks in the PRC. The remaining balance of the Group's cash and cash equivalents consisted primarily of cash on hand and bank balances which were primarily denominated in Hong Kong dollar and placed with banks in Hong Kong.

As at 30 June 2022, the Group's net debt ratio, which was calculated by the total loans and other borrowings and corporate bonds minus total cash and cash equivalents, over total equity, was approximately 0.61 (31 December 2021: 0.79).

Capital Expenditure

During the six months ended 30 June 2022, the Group's total expenditure in respect of property, plant and equipment and solar power plants amounted to approximately RMB206,000 (six months ended 30 June 2021: RMB429,000) and approximately RMB1,658,000 (six months ended 30 June 2021: RMB4,616,000), respectively.

Loans and Borrowings

As at 30 June 2022, the Group's total loans and borrowings was approximately RMB2,404,001,000, representing a decrease of approximately 33.0% as compared to approximately RMB3,587,727,000 as at 31 December 2021. All loans and borrowings of the Group were denominated in RMB, the functional currency of the Company's major subsidiaries in the PRC. As at 30 June 2022, loans and borrowings of approximately RMB982,500,000 (31 December 2021: RMB2,551,446,000) and approximately RMB1,421,501,000 (31 December 2021: RMB1,036,281,000) bear fixed interest rate and floating interest rate, respectively.

As at 30 June 2022, out of the total borrowings, approximately RMB1,166,004,000 (31 December 2021: RMB1,812,740,000) was repayable within one year and approximately RMB1,237,997,000 (31 December 2021: RMB1,774,987,000) was repayable after one year.

Corporate Bonds

As at 30 June 2022, corporate bonds denominated in Hong Kong dollar with an aggregate principal amount of HK\$29,500,000 (equivalent to approximately RMB25,228,000) (31 December 2021: HK\$102,000,000 (equivalent to approximately RMB83,395,000)) remained outstanding with certain independent third parties. The corporate bonds bear interest rates ranging from 3% to 7% (31 December 2021: 3% to 7%) per annum, and will mature on the date immediately following 3 to 96 months (31 December 2021: 3 to 96 months) after their issuance.

During the six months ended 30 June 2022 and 2021, the Group did not issue any corporate bonds.

During the six months ended 30 June 2022, the Group repaid HK\$48,000,000 (equivalent to approximately RMB41,049,000) (six months ended 30 June 2021: HK\$27,500,000 (equivalent to approximately RMB22,882,000)) in aggregate principal amount of the corporate bonds.

The corporate bonds are measured at amortised cost using effective interest method by applying an effective interest rate ranging from 10.40% to 14.56% (six months ended 30 June 2021: 10.40% to 14.56%) per annum. Imputed interest of approximately HK\$2,021,000 (equivalent to approximately RMB1,674,000) (six months ended 30 June 2021: HK\$15,921,000 (equivalent to approximately RMB13,275,000)) (note 5 to the "Notes to the Condensed Consolidated Interim Financial Statements" of this announcement) in respect of the corporate bonds was recognised in profit or loss during the six months ended 30 June 2022.

Foreign Exchange Rate Risk

The Group primarily operates its business in the PRC and during the six months ended 30 June 2022, the Group's revenue were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Directors expect that any future exchange rate fluctuation will not have any material effect on the Group's business. The Group did not use any financial instruments for hedging purposes, but will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on Assets

As at 30 June 2022, the Group had charged solar power plants, trade receivables and unlisted equity investments with net book value of approximately RMB970,869,000 (31 December 2021: RMB2,054,066,000), approximately RMB763,566,000 (31 December 2021: RMB923,394,000) and approximately RMB277,510,000 (31 December 2021: RMB281,365,000), respectively, to secure bank loans and other loans facilities granted to the Group.

Save as disclosed above, during the six months ended 30 June 2022, the Group has no other charges on assets.

Contingent Liabilities

The Group acquired equity interests of certain subsidiaries principally engaged in the development of solar power plant projects and the applications for the development of these solar power plant projects were actually made by their former shareholders. According to certain notices (the "Notices") issued by the State Energy Administration (國家能源局), the Notices prohibit the original applicants who have obtained the approval documents from the government authorities for the solar power plant projects from transferring the equity interests of solar power plant projects before such solar power plants were connected to the power grid. Therefore, these subsidiaries may be subject to fines or other adverse consequences imposed by the relevant PRC government authorities in the future. The relevant PRC government authorities are currently conducting nationwide inspections on matters such as compliance of equity transfer of solar power plants and full grid-connected power generation time. The Group has not received any notification of inspection from any PRC government authorities during the reporting period. The Group will actively cooperate with the relevant PRC government authorities in inspections if necessary and assess the impact of the inspection results on the development of the Group's solar power plants in a timely manner.

As at 30 June 2022, the Group had executed a guarantee with respect to a loan of approximately RMB42,960,000 granted by independent third parties to 濟源大峪江山光伏發電有限公司 (Jiyuan Dayu Jiangshan Photovoltaic Power Generation Limited*), an indirect wholly-owned subsidiary of the Company before its disposal on 27 June 2022.

As at 30 June 2022, the Group had executed a guarantee with respect to a loan of approximately RMB321,790,000 granted by independent third parties to 寶豐縣鑫泰光伏電力科技開發有限公司 (Baofeng Xintai Photovoltaic Power Technology Development Limited*), an indirect wholly-owned subsidiary of the Company before its disposal on 30 June 2022.

For details of the above guarantees (including their termination agreements), please refer to the circular of the Company dated 19 May 2022.

As at 31 December 2021, the Group had executed guarantee with respect to a loan of approximately RMB82,601,000 granted by independent third parties to 甘肅宏遠光電有限責任公司 (Gansu Hongyuan Photovoltaic Limited*), an indirect wholly-owned subsidiary of the Company before its disposal on 22 September 2021. For details of this guarantee (including their termination agreement), please refer to the circular of the Company dated 30 August 2021.

As at 31 December 2021, the Group had executed guarantee with respect to a loan of approximately RMB54,092,000 granted by independent third parties to 庫車天華新能源電力有限公司 (Kuche Tianhua New Energy Electric Power Limited*) an indirect wholly-owned subsidiary of the Company before its disposal on 21 December 2021.

As at 31 December 2021, the Group had executed guarantee with respect to a loan of approximately RMB54,092,000 granted by independent third parties to 烏什縣華陽偉業太陽能科技有限公司 (Wushi Huayangweiye Solar Technology Limited*), an indirect wholly-owned subsidiary of the Company before its disposal on 22 December 2021.

For details of the above guarantees (including their termination agreements), please refer to the announcement of the Company dated 2 November 2021.

Save as disclosed above, during the six months ended 30 June 2022, the Group has no other significant contingent liabilities.

Employees and Remuneration Policy

As at 30 June 2022, the Group had approximately 916 employees (31 December 2021: 837) in Hong Kong and in the PRC. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2022, the total employee benefit expenses (including directors' emoluments) were approximately RMB83,022,000 (six months ended 30 June 2021: RMB65,728,000). For details, please refer to note 6(a) to the "Notes to the Condensed Consolidated Interim Financial Statements" of this announcement. The remuneration policy of the Group is to provide remuneration packages, including basic salary, short-term bonuses and long-term rewards, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when occasion requires.

The Company has also adopted a share option scheme on 22 July 2009 (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Share Option Scheme expired on 21 July 2019 and no further options could thereafter be granted. As at 30 June 2022, all outstanding options had lapsed.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this announcement, the Group did not have any other significant investments in an investee company with a value of 5% or more of the Company’s total assets, other material acquisition or disposal during the six months ended 30 June 2022, and there was no plan authorised by the Board for other material investments or additions of capital assets up to the date of this announcement.

PROSPECT

In the first half of 2022, the drastic changes in European geopolitics have had some negative impact on the world’s efforts to achieve the goal of “peaked carbon and carbon neutrality”, and at the same time increased the urgent demand for the power generation of renewable energy in Europe. It is believed that the global industry of solar power generation will maintain a trend of strong development.

In the first half of 2022, with the support of comprehensive policies of governments at all levels in China, China’s clean energy industry had continued to develop steadily. The supply chain prices of solar power industry remained high, as the installed capacity expanded steadily. According to the data released by the National Energy Administration, in the first half of 2022, China’s newly installed capacity of solar power generation was 30.88 million KW, with an accumulated installed capacity of 336 million KW. The national solar power generation was 205 billion kilowatt-hour (“kWh”), representing a year-on-year increase of 30%. The continuous growth of the installed capacity of renewable energy also provides favourable development opportunities for the operation and maintenance services business of renewable energy plants.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for its corporate governance practices during the period under review. In the opinion of the Board, save for the deviation as disclosed below, the Company has complied with the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2022.

Code provision C.2.1

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

EVENTS AFTER REPORTING DATE

There are no important events affecting the Group which have occurred after 30 June 2022 and up to the date of this announcement.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Model Code as the code for dealing in securities of the Company by the Directors. The Company confirms that, having made specific enquiries with all the Directors, all the Directors have complied with the required standard of the Model Code during the six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed, with no disagreement, the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the Company's website at www.kongsun.com. The interim report for the six months ended 30 June 2022 of the Group will also be published on the same websites and despatched to the shareholders of the Company in due course.

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

Hong Kong, 26 August 2022

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

* *For identification purposes only*