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China Shuifa Singyes Energy Holdings Limited

中國水發興業能源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 750)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “Director”) of China Shuifa Singyes Energy Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 together with the comparative audited figures for the corresponding period in 2021. The annual results and the audited consolidated financial statements have been reviewed by the Company’s Audit Committee.

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	4,914,282	6,503,428
Profit before tax	47,421	290,104
Income tax expense	(26,298)	(54,311)
Profit attributable to owners of the Company	3,837	221,410
Profit per share attributable to ordinary equity holders		
— Basic	RMB0.002	RMB0.088
— Diluted	RMB0.002	RMB0.088
Final dividend per share proposed	Nil	HK\$0.020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>		
Revenue	2	4,914,282	6,503,428
Cost of sales		<u>(3,950,627)</u>	<u>(5,428,452)</u>
Gross profit		963,655	1,074,976
Distribution costs		(68,173)	(86,819)
Administrative expenses		(368,853)	(408,515)
Net impairment losses on financial and contract assets		(136,376)	(63,244)
Other income		44,222	51,862
Other gains — net		<u>1,600</u>	<u>11,400</u>
Operating profit		436,075	579,660
Finance income		2,807	3,926
Finance costs		<u>(392,824)</u>	<u>(292,947)</u>
Finance costs — net		(390,017)	(289,021)
Share of net results of associates accounted for using the equity method		<u>1,363</u>	<u>(535)</u>
Profit before income tax		47,421	290,104
Income tax charge	3	<u>(26,298)</u>	<u>(54,311)</u>
Profit for the year		<u>21,123</u>	<u>235,793</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Currency translation differences		(106,824)	22,535
Items that will be reclassified to profit or loss			
Changes in fair value of equity investments at fair value through other comprehensive income		<u>464</u>	<u>(28)</u>
Total other comprehensive income for the year		<u>(106,360)</u>	<u>22,507</u>
Total comprehensive income for the year		<u>(85,237)</u>	<u>258,300</u>

		Year ended 31 December	
		2022	2021
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Profit attributable to:			
Owners of the Company		3,837	221,410
Non-controlling interests		17,286	14,383
		<u>21,123</u>	<u>235,793</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(102,523)	243,937
Non-controlling interests		17,286	14,363
		<u>(85,237)</u>	<u>258,300</u>
Earnings per share for profit attributable to owners of the Company during the year (expressed in RMB per share)			
— basic and diluted	5	<u>0.002</u>	<u>0.088</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2022	At 31 December 2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	6,000,434	4,971,792
Right-of-use assets	271,523	261,049
Investment properties	335,182	340,590
Intangible assets	106,588	106,331
Prepayments	14,676	10,120
Investments accounted for using the equity method	2,801	1,438
Deferred income tax assets	312,947	303,499
Equity investment designated at fair value through other comprehensive income	21,967	10,503
	7,066,118	6,005,322
Current assets		
Inventories	80,106	67,433
Contract assets	3,904,782	3,694,860
Trade and bills receivables	6 4,207,583	3,398,449
Prepayments, other receivables and other assets	969,434	750,977
Pledged deposits	336,877	21,820
Financial assets at fair value through profit or loss	6,469	-
Cash and cash equivalents	399,835	659,123
	9,905,086	8,592,662
Total assets	16,971,204	14,597,984

		At 31 December 2022	At 31 December 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital		174,333	174,333
Reserves		2,243,325	2,417,957
Retain earnings		1,781,379	1,785,081
		<hr/>	<hr/>
		4,199,037	4,377,371
Non-controlling interests		867,849	304,628
		<hr/>	<hr/>
Total equity		5,066,886	4,681,999
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Borrowings		4,472,946	3,118,040
Lease liabilities		20,736	16,254
Deferred income tax liabilities		106,961	110,302
Deferred income		167,141	179,967
		<hr/>	<hr/>
		4,767,784	3,424,563
		<hr/>	<hr/>
Current liabilities			
Trade and bills payables	7	2,770,918	2,180,962
Other payables and accruals		1,626,043	1,686,262
Borrowings		2,310,066	799,667
Senior notes		-	1,468,208
Contract liabilities		324,428	192,319
Income tax payable		100,329	161,998
Lease liabilities		4,750	2,006
		<hr/>	<hr/>
		7,136,534	6,491,422
		<hr/>	<hr/>
Total liabilities		11,904,318	9,915,985
		<hr/>	<hr/>
Total equity and liabilities		16,971,204	14,597,984
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements have been prepared under the historical cost convention, as modified by certain equity investments which have been measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

1.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted for the current reporting period*

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to IFRS Standards 2018-2020		1 January 2022

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

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group. The Group has already commenced an assessment of the impact of these new standards or amendments, certain of which are relevant to the Group's operation. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 SEGMENT INFORMATION

The Board of Directors of the Group has been identified as the chief operating decision-maker. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these internal reports.

The Board of Directors assesses the performance according to four main business segments.

The Board of Directors assesses the performance of the operating segments based on profit for the year.

Segment revenue

The segment results for the year ended 31 December 2022 are as follows:

	Year ended 31 December 2022		Year ended 31 December 2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue from contracts with customers				
Construction services	3,387,322	68.93	5,105,877	78.51
Sale of products	789,191	16.06	610,234	9.38
Sale of electricity	474,255	9.65	455,618	7.01
Others	263,514	5.36	331,699	5.10
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue	4,914,282	100.00	6,503,428	100.00
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

3. INCOME TAX

The amount of income tax charged to the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	39,087	114,467
Deferred income tax credit	(12,789)	(60,156)
	<hr/>	<hr/>
Income tax charge	26,298	54,311
	<hr/> <hr/>	<hr/> <hr/>

The applicable corporate income tax (“CIT”) rate for Mainland China subsidiaries is 25% except for certain subsidiaries that are entitled to preferential tax rates as discussed below:

For Mainland China subsidiaries which are qualified as High and New Technology Enterprises, they are entitled to a preferential tax rate of 15%. For subsidiaries engaging in encouraged industries in Western China, they are entitled to a preferential tax rate of 15% for the period from 1 January 2011 to 31 December 2030. For subsidiaries engaging in the approved projects of solar power station construction, they are exempted from CIT for the first three years and are entitled to a 50% tax reduction for the subsequent three years (“三免三減半”) since their respective first revenue-generating years. Thereafter, they are subject to CIT at a rate of 25% or 15%.

The Group’s subsidiaries registered in Hong Kong are subject to a rate of 16.5% on the estimated assessable profits for the year ended 31 December 2022 (2021: 16.5%). For the year ended 31 December 2022, the Group’s subsidiaries incorporated in Hong Kong did not have assessable profit and therefore have not provided for any Hong Kong profits tax.

4. DIVIDENDS

The directors did not recommend payment of a dividend in respect of the year ended 31 December 2022 (2021: HKD0.020 per share). For the year ended 31 December 2021, the Directors recommended a final dividend of HKD0.020 per ordinary share, totally HKD50,421,636, or equivalent to approximately RMB41,018,001.

During the year ended 31 December 2022, the Group paid dividend amounting to HKD50,421,636 (2021: HKD70,590,290), or equivalent to approximately RMB45,216,997(2021:RMB58,745,239).

5. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,521,081,780 (2021: 2,521,081,780) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the current and the prior year.

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to equity holders of the Company	3,837	221,410
Weighted average number of ordinary shares issued	2,521,082	2,521,082
Basic earnings per share	0.002	0.088

6. TRADE AND BILLS RECEIVABLES

An ageing analysis of the trade receivables and tariff subsidy receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	Trade receivables		Tariff subsidy receivables	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 180 days	839,322	728,086	219,786	157,906
181 days to 365 days	888,537	217,403	149,802	138,054
1 to 2 years	531,026	696,054	295,960	211,552
2 to 3 years	410,608	531,071	211,552	166,671
Over 3 years	1,360,004	1,152,971	203,023	218,260
	4,029,497	3,325,585	1,080,123	892,443

7. TRADE AND BILLS PAYABLES

An aging analyses of the trade payables as at the end of the reporting period, based on transaction date were as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	840,105	1,184,288
Between 3 months and 6 months	217,867	303,368
Between 6 months and 1 year	1,148,920	221,657
Between 1 year and 2 years	355,921	342,738
Between 2 years and 3 years	118,945	83,318
Over 3 years	89,160	45,593
	<hr/> 2,770,918 <hr/>	<hr/> 2,180,962 <hr/>

BUSINESS AND FINANCIAL REVIEW

Revenue

The following table set out the breakdown of revenue:

	For the year ended 31 December		
	2022	2021	Increase/ (Decreased) by
	<i>RMB million</i>	<i>RMB million</i>	
	(audited)	(audited)	
Construction contracts			
– Curtain wall and green building	1,102.9	1,662.5	(33.7%)
– Solar EPC	372.9	357.2	4.4%
– Wind Power EPC	1,911.5	3,086.2	(38.1%)
	<u>3,387.3</u>	<u>5,105.9</u>	(33.7%)
Sale of electricity	474.3	455.6	4.1%
Sale of products ¹	789.2	610.2	29.3%
Others	263.5	331.7	(20.6%)
	<u>4,914.3</u>	<u>6,503.4</u>	(24.4%)

Notes:

1. Included Sale of New Material as at 31 December 2022 of RMB78.1 million (31 December 2021: RMB131.3 million).

Gross profit and gross profit margin

	2022		2021	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Construction contracts				
— Curtain walls and green buildings	107.1	9.7	142.0	8.5
— Solar EPC	3.2	0.9	8.2	2.3
— Wind EPC	434.9	22.8	481.3	15.6
	<u>545.2</u>	<u>16.1</u>	<u>631.5</u>	<u>12.4</u>
Sale of electricity	266.8	56.3	270.5	59.4
Sale of products	73.1	9.3	83.2	13.6
Others	78.6	29.8	89.8	27.1
	<u>963.7</u>	<u>19.6</u>	<u>1,075.0</u>	<u>16.5</u>

The Group's revenue decreased by RMB1,589.1 million or 24.4%, from RMB6,503.4 million in 2021 to RMB4,914.3 million in 2022. Gross profit decreased by RMB111.3 million or 10.4%, from RMB1,075.0 million in 2021 to RMB963.7 million in 2022.

1) *Curtain wall and green building*

Revenue from curtain wall and green building EPC dropped by 33.7%, while gross profit margin increased slightly from 8.5% to 9.7%. The major reason for the increase in gross profit margin was because of the increase in the proportion of green building business.

2) *Solar EPC*

Revenue from Solar EPC business increased by 4.4%, while gross profit margin dropped from 2.3% to 0.9%. The material costs for solar EPC continue to remained high in 2022. As such, the profitability of Solar EPC business had been greatly affected, our group therefore temporarily squeezed our Solar EPC business and shift our focus to Wind Power EPC.

3) *Wind Power EPC*

Our Group started to engage in Wind Power EPC business in 2020, revenue in 2022 amounted to RMB1,911.5 million, representing a decrease 38.1%. Gross profit margin during the period was 22.8% (year ended 31 December 2021: 15.6%). During 2022, our Group was mainly involved in few large scale projects in North East part of China. The increase in the margin was mainly because of the downward trend in wind power material prices.

4) *Sale of electricity*

The Group's accumulated project scale was around 741 megawatts ("MW") at 31 December 2022, which comprised of distributed power stations, and centralized ground-mounted photovoltaic power stations inside Mainland China and a solar farm located overseas. The sale of electricity was slightly increased by 4.1% with a stable margin of 56.3% (2021: 59.4%).

5) *Sale of products*

Revenue from the sale of products mainly included the sale of renewable energy products such as wind power and photovoltaic project supporting products and solar thermal products. The increase the revenue from sale of products was mainly came from the wind power business.

Administrative and distribution expenses

Distribution expenses decreased by RMB18.6 million or 21.5%, the decrease in distribution expense is in line with the decrease in revenue of the Group.

Administrative expenses decreased by RMB39.7 million or 9.7% as compared with the year 2021.

Liquidity and financial resources

The Group's primary source of funding included bank and other borrowings, advances from Shuifa BVI and receivables from project contacts, product sale as well as income from electricity sale. As at 31 December 2022, the Group had outstanding bank and other loans of approximately RMB6,783 million with effective interest rates ranging from 5.33% to 6.42%.

Apart from that, the Group also had outstanding balance of approximately RMB952 million due to Shuifa BVI, which bear interest at 6% per annum and is repayable by 31 December 2023.

Capital expenditures

Capital expenditures of the Group amounted to RMB1,259.1 million for the year (2021: RMB948.9 million), it mainly included the capital expenditure incurred in wind power and solar photovoltaic power stations, as well as the acquisition of subsidiaries.

COMMITMENTS

The Group had the following capital commitments at the end of the year:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Contracted, but not provided for:		
Capital contribution for equity investment	995,074	—
Construction of buildings and solar photovoltaic power stations	171,512	213,806
Purchase of office properties	—	11,820
	<u>1,166,586</u>	<u>225,626</u>

Dividend

The Directors of the Company did not recommend a final dividend in respect of the year ended 31 December 2022 (2021: HK\$0.020 per share). The actual dividend payout ratio in each year will depend on the actual performance of the Group, the general industry and economic environment.

EVENTS AFTER THE REPORTING PERIOD

On 28 February 2023, Hunan Green Energy, a subsidiary of the Group, has conditionally agreed to acquire, and Shuifa Energy and Shuifa Fengyuan Energy have conditionally agreed to sell 24% of the equity interest and 16% of the equity interest in Shuifa Energy (Tongyu), a subsidiary of the ultimate parent, respectively, at the aggregate consideration of RMB491,299,700. As at the reporting date, the transaction has not been completed.

In addition, Hunan Green Energy also entered into of a Share Subscription Agreement, pursuant to which Hunan Green Energy has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy, a subsidiary of the ultimate parent, at the aggregate subscription price of RMB503,774,500. As at the reporting date, Hunan Green Energy has completed the subscription of 105,613,100 shares. The first batch of subscription funds of RMB105,613,100 has been paid.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company and its subsidiaries (the “Group”) so as to achieve effective accountability. The Directors consider that for the year ended 31 December 2022, the Company has applied the principles and complied with the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Model Code for Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they had complied with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transactions for the year ended 31 December 2022.

Audit Committee

The Company has established an audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules and paragraph D.3 of the Code. The primary duties of the audit committee are to oversee the financial reporting process and internal control procedure of the Group, to review the financial information of the Group and to consider issues relating to the external auditor. The audit committee consists of the three independent non-executive directors, Mr. Yick Wing Fat, Simon is the chairman of the audit committee. The Audit Committee has reviewed the Group’s consolidated financial results for the year ended 31 December 2022.

PURCHASE, SALES AND REDEMPTION OF COMPANY’S LISTED SECURITIES

For the year ended 31 December 2022, the Appraisal Committee instructed the Trustee to purchase 1,870,000 Shares on the Stock Exchange with funds paid out of the Company’s resources in order to satisfy the outstanding awards under the Share Award Scheme.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 set forth in the Announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

Publication of Results Announcement

This annual results announcement is available for viewing on the websites of the Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and the Company's website at <http://www.sfsyenergy.com> and the 2022 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Company and the Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
China Singyes Solar Technologies Holdings Limited
Zheng Qingtao
Chairman

Hong Kong, 29 March 2023

As at the date of this announcement, the executive Directors are Mr. Zheng Qingtao (Chairman), Mr. Liu Hongwei (Vice Chairman), Mr. Chen Fushan and Mr. Wang Dongwei, the non-executive Directors are Mr. Xie Wen and Ms. Li Li, and the independent non-executive Directors are Dr. Wang Ching, Mr. Yick Wing Fat, Simon and Dr. Tan Hongwei.