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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022.

These unaudited interim condensed consolidated financial statements have been reviewed by the Company's auditor, Zhonghui Anda CPA Limited, and the Audit Committee, and approved by the Board on 30 August 2023.

RESULTS HIGHLIGHTS

	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)	% of Changes
Revenue			
– Solar power generation	137,351	170,684	(19.5%)
Gross profit	73,084	110,790	(34.0%)
Loss for the period	(308,115)	(195,974)	57.2%
EBITDA	(27,934)	77,189	(136.2%)
Adjusted EBITDA*	92,391	116,896	(21.0%)
Basic loss per share	RMB(6.02) cents	RMB(3.89) cents	54.8%

* Adjusted EBITDA excluded finance costs, income tax, depreciation and amortisation, net foreign exchange loss, bank interest income, share of profits of associates, reversal of impairment loss on solar power plants, impairment loss on assets classified as held for sale, written off of solar power plants, loss on disposal of subsidiaries, and loss allowance recognised/(reversed) on trade and other receivables, other non-current assets, amounts due from the related parties and financial guarantee contracts, net.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	137,351	170,684
Cost of sales		<u>(64,267)</u>	<u>(59,894)</u>
Gross profit		73,084	110,790
Other income	5	5,470	8,989
Other gains and losses, net	6	(107,994)	(118,356)
Impairment losses (recognised)/reversed under expected credit loss model, net of reversal		(16,477)	64,277
Administrative expenses		(40,746)	(42,533)
Share of profits of associates		1,147	1,736
Finance costs	7	<u>(220,975)</u>	<u>(218,778)</u>
Loss before income tax	8	(306,491)	(193,875)
Income tax expenses	9	<u>(1,624)</u>	<u>(2,099)</u>
Loss for the period		<u>(308,115)</u>	<u>(195,974)</u>
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Fair value gain on receivables at fair value through other comprehensive income (“FVTOCI”)		<u>11</u>	<u>—</u>
Other comprehensive income for the period		<u>11</u>	<u>—</u>
Total comprehensive expenses for the period		<u><u>(308,104)</u></u>	<u><u>(195,974)</u></u>

		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
<i>Notes</i>		(unaudited)	(unaudited)
Loss for the period attributable to:			
	Owners of the Company	(305,957)	(193,681)
	Non-controlling interests	(2,158)	(2,293)
		<u>(308,115)</u>	<u>(195,974)</u>
Total comprehensive expenses attributable to:			
	Owners of the Company	(305,946)	(193,681)
	Non-controlling interests	(2,158)	(2,293)
		<u>(308,104)</u>	<u>(195,974)</u>
Loss per share			
	– Basic (<i>RMB cents</i>)	<u>(6.02)</u>	<u>(3.89)</u>
	– Diluted (<i>RMB cents</i>)	<u>(6.02)</u>	<u>(3.89)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		26,261	25,667
Right-of-use assets		47,297	63,031
Solar power plants		1,098,549	1,403,592
Intangible assets		103,698	111,315
Interest in associates		36,796	35,649
Financial assets at fair value through profit or loss (“FVTPL”)		1,000	1,000
Other non-current assets		25,665	25,814
Value-added tax recoverable		13,337	12,575
		<u>1,352,603</u>	<u>1,678,643</u>
Current assets			
Trade and other receivables	12	929,072	1,150,339
Receivables at FVTOCI		–	5,625
Value-added tax recoverable		11,798	11,554
Prepayments to suppliers		6,875	7,335
Amounts due from the related parties		919,191	1,000,614
Tax recoverables		–	555
Restricted bank deposits		5,655	21,932
Bank balances and cash		142,525	532,618
		<u>2,015,116</u>	<u>2,730,572</u>
Assets classified as held for sale		<u>–</u>	<u>649,583</u>
		<u>2,015,116</u>	<u>3,380,155</u>

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Current liabilities			
Trade and other payables	13	889,282	916,470
Amounts due to the related parties		855,507	1,291,629
Lease liabilities		5,154	14,922
Provisions		1,250	2,632
Tax liabilities		164	–
Bank and other borrowings		1,143,244	2,175,190
Convertible bonds		621,862	396,904
Bond payables		585,372	585,372
		<u>4,101,835</u>	<u>5,383,119</u>
Liabilities directly associated with assets held for sale		<u>–</u>	<u>21,879</u>
		<u>4,101,835</u>	<u>5,404,998</u>
Net current liabilities		<u>(2,086,719)</u>	<u>(2,024,843)</u>
Total assets less current liabilities		<u>(734,116)</u>	<u>(346,200)</u>
Non-current liabilities			
Bank and other borrowings		547,293	423,145
Lease liabilities		25,389	20,624
Convertible bonds		–	208,725
		<u>572,682</u>	<u>652,494</u>
Net liabilities		<u>(1,306,798)</u>	<u>(998,694)</u>
Capital and reserves			
Share capital		41,641	41,641
Reserves		<u>(1,438,331)</u>	<u>(1,132,385)</u>
Total equity attributable to owners of the Company		<u>(1,396,690)</u>	<u>(1,090,744)</u>
Non-controlling interests		<u>89,892</u>	<u>92,050</u>
Total equity		<u>(1,306,798)</u>	<u>(998,694)</u>

NOTES OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2022 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 2022.

The Group incurred loss of RMB308,115,000 and RMB195,974,000 respectively for two consecutive period of six months ended 30 June 2023 and 2022, and the Group had net current liabilities of RMB2,086,719,000 and net liabilities of RMB1,306,798,000 as at 30 June 2023. As at 30 June 2023, the Group had bank and other borrowings, convertible bonds and bond payables totaling RMB2,350,478,000 repayable within one year or on demand. In addition, as at 30 June 2023, the Group had overdue bank and other borrowings and bonds payable of approximately RMB734,563,000 and RMB585,372,000 respectively.

During the six months ended 30 June 2023, there were three freezing orders had been issued in relation to the bond payables and bank borrowings:

– Corporate Bond (“**2015 Corporate Bond**”)

Two bondholders of 2015 Corporate Bond initiated an arbitration with the Group through Shanghai Arbitration Commission for the settlement of the outstanding principal and accrued bond interests in arrears. A freezing order (the “**First 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) (“**Jiangsu Shunyang**”), 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) (“**Turpan Shunfeng**”) have been put under the First Freezing Order. As at 30 June 2023, the total principal amount of RMB329,909,000 (31 December 2022: RMB329,909,000) and accrued bond interests of RMB107,042,000 (31 December 2022: RMB94,280,000) were recognised in bond payables and trade and other payables, respectively. Up to the date of this announcement, the above proceedings have not been completed in the Shanghai Arbitration Commission.

– Corporate Bond (“**2016 Corporate Bond**”)

On 10 June 2022, a creditor (the “**Creditor**”) of a bondholder of the 2016 Corporate Bond filed a petition with the Changzhou Intermediate People’s Court of Jiangsu Province requesting Shunfeng Photovoltaic Investments, an indirect wholly-owned subsidiary of the Company, to settle the principal amount of RMB142 million of the 2016 Corporate Bond and interests of the 2016 Corporate Bond to the Creditors.

Further a freezing order (the “**Second Freezing Order**”) was issued Changzhou Intermediate People’s Court upon the application by the Creditor and accordingly, the equity interests of certain subsidiaries, being Xinjiang Tianli, Hainan Xinsheng New Energy Technology Co. Ltd. (海南州鑫昇新能源科技有限公司) (“**Hainan Xinsheng**”), 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**”), Kezhou Baishide New Energy Development Co., Ltd (克州百事德新能源開發有限公司) (“**Kezhou Baishide**”), Tongwei Solar Power Qiemu Co., Ltd (通威太陽能且末有限公司) (“**Tongwei**”) 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) (“**Zhongjiancai**”) have been put under the Second Freezing Order. As at 30 June 2023, the total principal amount of the 2016 Corporate Bond of RMB255,463,000 (31 December 2022: RMB255,463,000) and accrued bond interests of RMB91,337,000 (31 December 2022: RMB81,583,000) were recognised in bond payables and trade and other payables respectively. In April 2023, Changzhou Intermediate People’s Court of Jiangsu Province issued a judgment requiring Shunfeng Photovoltaic Investment to repay the principal of the 2016 Corporate Bond of RMB142 million and the interest of approximately RMB55,198,000 to the Creditor. The Creditor appealed to the High People’s Court of Jiangsu Province. Up to the date of this announcement, the above proceedings have not been completed in the High People’s Court of Jiangsu Province.

– Borrowing

A freezing order (the “**Third Freezing Order**”) was issued by the Nanchang Intermediate People’s Court of Jiangxi Province upon the application by a bank for the settlement of bank borrowings and accordingly, the equity interest of a subsidiary, Taojiang Saiwei Photovoltaic Technology Ltd (桃江賽維光伏科技有限公司) (“**Taojiang Saiwei**”) have been put under the Third Freezing Order. As at 30 June 2023, the total principal and interest amount of RMB12,219,000 (31 December 2022: RMB21,219,000) and RMB2,425,000 (31 December 2022: RMB2,036,000) were recognised in bank and other borrowings and trade and other payables respectively, of which principal and interest amount of Nil (31 December 2022: RMB4,829,000) and RMB2,425,000 (31 December 2022: RMB2,036,000) were overdue respectively. Up to the date of this announcement, the above proceedings have not been completed in the Nanchang Intermediate People’s Court of Jiangxi Province.

However, the Group maintained cash and cash equivalents of approximately RMB142,525,000 as at 30 June 2023 only.

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) completing the disposals of the subsidiaries as planned as well as collecting the sale proceeds in accordance with the amount and timing expected by the Company;

- (ii) releasing the First Freezing Order and the Second Freezing Order of certain subsidiaries which are expected to be disposed by the Group; and
- (iii) continuing to negotiate with creditors, banks, financial institutions and bondholders for alternative refinancing and/or extension of the due dates.

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 2023. 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.

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. REVENUE

Disaggregation of revenue

A. Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
Revenue from sales of electricity	RMB'000	RMB'000
	(unaudited)	(unaudited)
Types of goods or service		
Sales of electricity	36,822	47,482
Tariff subsidies	100,529	123,202
Total	137,351	170,684
Geographical markets		
Mainland China	137,351	170,684
Timing of revenue recognition		
A point in time	137,351	170,684

4. 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. The Group's reportable and operating segments for both periods is solar power generation in the PRC only.

Segment revenue and results

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Segment revenue		
External sales	36,822	47,482
Tariff subsidies	100,529	123,202
	<u>137,351</u>	<u>170,684</u>
Segment loss	<u>(104,350)</u>	<u>(2,313)</u>
Unallocated income		
— Bank interest income	2,200	2,535
Unallocated expenses		
— Central administration costs	(9,102)	(10,682)
— Finance costs	(220,975)	(218,778)
Loss allowance recognised on financial guarantee contracts for a joint venture	—	(7,756)
Loss allowance reversed on amounts due from the related parties and other receivables	24,589	41,383
Share of profits of associates	1,147	1,736
Loss before income tax	<u>(306,491)</u>	<u>(193,875)</u>

Amounts included in the measure of segment loss:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Impairment loss on assets classified as held for sale	—	(26,959)
Reversal of impairment loss on solar power plants	119	49,802
(Provision)/reversal of impairment loss on trade and other receivables and other non current assets	(41,066)	30,650
	<u>(41,066)</u>	<u>30,650</u>

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Bank interest income	2,200	2,535
Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets (<i>Note (i)</i>)	2,771	5,414
Others	499	1,040
	<u>5,470</u>	<u>8,989</u>

Notes:

- (i) 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.

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Impairment loss on assets classified as held for sale	–	(26,959)
Written off of solar power plants	(801)	–
Reversal of impairment loss on solar power plants (<i>Note (i)</i>)	119	49,802
Loss on disposal of subsidiaries (<i>Note 14</i>)	(28,643)	(21,131)
Reversal of legal claims	1,382	–
Net foreign exchange loss	(77,870)	(109,967)
Penalty	(2,711)	(7,378)
Others	530	(2,723)
	<u>(107,994)</u>	<u>(118,356)</u>

Notes:

- (i) The Group carried out reviews of the recoverable amount of its solar power plants in 2023 as a result of the change of the markets conditions. The reviews led to the recognition of a reversal of impairment loss of RMB119,000 (30 June 2022: reversal of impairment loss of RMB49,802,000), that has been recognised in profit or loss.

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on bank and other borrowings	140,627	133,703
Interest on amount due to related companies	24,299	23,008
Interest on lease liabilities	827	477
Interest on other payables	–	3,623
Effective interest on convertible bonds	32,707	35,452
Effective interest on bond payables	22,515	22,515
	220,975	218,778

8. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss before tax has been arrived at after charging/(crediting):		
Staff costs (including directors' remuneration)	13,391	13,995
Retirement benefit scheme contributions	1,995	2,323
Total staff costs	15,386	16,318
Impairment loss on assets classified as held for sale	–	26,959
Reversal of impairment loss on solar power plants	(119)	(49,802)
Depreciation of property, plant and equipment	617	534
Depreciation of completed solar power plants	46,037	41,536
Depreciation of right-of-use assets	3,311	2,599
Amortisation of intangible assets	7,617	7,617

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PRC Enterprise Income Tax (“EIT”)		
Current period	1,002	1,843
Under provision in prior periods	622	256
	<u>1,624</u>	<u>2,099</u>
Income tax expense	<u>1,624</u>	<u>2,099</u>

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.

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

10. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2023 and 2022. The directors have determined that no dividend will be paid in respect of the current interim period.

11. 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	<u>(305,957)</u>	<u>(193,681)</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>5,082,375,490</u>	<u>4,982,375,490</u>
Loss per share	<u>(6.02)</u>	<u>(3.89)</u>

(b) Diluted loss per share

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

12. TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables	31,215	63,135
Accrued revenue on tariff subsidies (<i>Note (i)</i>)	<u>734,541</u>	<u>835,322</u>
	765,756	898,457
<i>Less: loss allowance recognised</i>	<u>(4,286)</u>	<u>(5,128)</u>
	761,470	893,329
Prepaid expenses	243	260
Other receivables		
Amounts due from independent third parties (<i>Note (ii)</i>)	8,596	10,230
Consideration receivables for disposal of subsidiaries in previous years (<i>Note (iii)</i>)	47,648	137,088
Consideration receivables for disposal of Baoshan Changshan (<i>Note (iv)</i>)	242	–
Amounts due from a disposed subsidiary (<i>Note (ii)</i>)	1,527	–
Security deposits (<i>Note (v)</i>)	106,369	105,684
Others (<i>Note (vi)</i>)	<u>2,977</u>	<u>3,748</u>
	<u>167,602</u>	<u>257,010</u>
	929,072	1,150,339

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 2023, the amount included consideration receivable from the disposal of the subsidiaries amounting to RMB47,648,000, net of loss allowance of RMB114,215,000 (31 December 2022: RMB137,088,000, net of loss allowance of RMB72,733,000). The amount was non-trade in nature, unsecured, interest-free and repayable within one year.
- (iv) As at 30 June 2023, the amount included consideration receivable from the disposal of Baoshan Changshan amounting to RMB242,000, net of loss allowance of RMB8,000.
- (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 2023, loss allowance of RMB631,000 (31 December 2022: RMB1,316,000) was recognised.
- (vi) As at 30 June 2023 and 31 December 2022, 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 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 to 30 days	21,921	15,288
31 to 60 days	20,351	18,680
61 to 90 days	17,974	14,778
91 to 180 days	40,062	51,868
Over 180 days	661,162	792,715
	761,470	893,329

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 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.

13. TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade payables	975	6,208
Payables for EPC of solar power plants <i>(Note (i))</i>	69,408	138,167
Other tax payables	14,588	15,716
Amounts due to independent third parties <i>(Note (ii))</i>	28,837	6,767
Interest payables	650,858	713,862
Accrued expenses	10,431	10,783
Accrued payroll and welfare	1,338	3,287
Consideration payable for previous acquisition of subsidiaries <i>(Note (iii))</i>	5,600	5,700
Amounts due to a disposed subsidiary <i>(Note (ii))</i>	91,092	–
Payables for financial guarantee	13,006	12,918
Others	3,149	3,062
	889,282	916,470

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 2023 and 31 December 2022, 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 2022: 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 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 to 30 days	305	1,758
31 to 60 days	131	1,743
61 to 90 days	131	2,160
91 to 180 days	362	547
Over 180 days	46	–
	975	6,208

14. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Target Equity Interest

Sino Alliance Capital Limited (the “**Purchaser**”), an independent third party, 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, an indirect wholly-owned subsidiary of the Company, and the Company entered into a sale and purchase agreement on 29 June 2022 and a supplemental sale and purchase agreement (the “**Supplemental Agreement**”) on 13 June 2023 (collectively referred to as “**Sale and Purchase Agreements**”), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase entire equity interests in the Pu Xin Cheng Da (BVI) Limited (the “**Target Equity Interest**”) at an aggregate consideration of approximately RMB771,040,000 (the “**Consideration**”).

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

The Consideration payable by the Purchaser was approximately RMB771,040,000 (equivalent to approximately HK\$843,772,000), including the following:

- the Consideration was settled by setting off RMB568,894,000 (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 the date of completion, the remaining outstanding principal and interest owed by the Vendor to the Purchaser are RMB35,129,000 (equivalent to HK\$38,443,000) and RMB167,017,000 (equivalent to HK\$182,772,000), respectively.

The disposal of the Target Equity Interest was completed in Jun 2023.

Net assets of the Target Equity Interest at the date of disposal were as follows:

	<i>RMB'000</i> (unaudited)
Property, plant and equipment	542
Solar power plants	534,451
Value-added tax recoverable	21
Prepayments to suppliers	262
Trade and other receivables	132,836
Amounts due from the Group	91,092
Trade and other payables	(23,784)
Tax liabilities	<u>(2,564)</u>
Net assets disposed of	732,856
Gain on disposal of subsidiaries (*)	<u>38,184</u>
Outstanding principal and interest owed by the Vendor to the Purchaser	<u><u>771,040</u></u>
Net cash inflow arising on disposal:	
Cash consideration received	<u><u>—</u></u>

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

(b) Disposal of Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd (“Baoshan Changshan”)

On 28 February 2023, the Group entered into a sale and purchase agreement with Zhonghe Huineng Co., Ltd (“**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 Baoshan Changshan at an aggregate consideration of RMB250,000.

The registration for share transfer of Baoshan Changshan has been completed during the six months ended 30 June 2023.

Net assets of Baoshan Changshan at the date of disposal were as follows:

	<i>RMB'000</i> (unaudited)
Property, plant and equipment	98
Right-of-use assets	9,736
Solar power plants	258,723
Prepayments to suppliers	59
Trade and other receivables	233,465
Restricted bank deposits	2,442
Trade and other payables	(129,611)
Amounts due to the Group	(1,580)
Bank and other borrowings	(306,255)
	<hr/>
Net assets disposed of	67,077
Loss on disposal of subsidiaries (*)	(66,827)
	<hr/>
Consideration receivables from disposal	250
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	—
	<hr/> <hr/>

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

No settlement was made during the six months ended 30 June 2023 and the entire consideration receivables was included in “Trade and other receivables” as at 30 June 2023.

15. EVENTS AFTER THE REPORTING PERIOD

On 18 August 2023, the Company entered into a convertible bond redemption agreement and a bond subscription agreement with Peace Link Services Limited (“**Peace Link**”), pursuant to which the Company has completed the redemption in respect of the Second CB with Peace Link by issuing bonds in the principal amount of HK\$466,346,000 (the “**New Bonds**”). The New Bonds were issued on 18 August 2023 and bear interest at 8% per annum and are repayable on 17 August 2025.

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 in 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.

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 182,364MWh.

	For the six months ended 30 June		
	2023	2022	% of Change
	<i>MWh</i>	<i>MWh</i>	
Power generation volume in the PRC	<u>182,364</u>	<u>217,252</u>	<u>(16.1%)</u>

Upon completion of registration for the share transfer of the 100% equity interest of Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd* (保山長山順風尚德新能源有限公司) in February 2023 and the 100% equity interest of Pu Xin Cheng Da (BVI) Limited in respect of the 2022 Second Disposal (defined below) in June 2023, the Group's solar power plants in the PRC realised a total installed capacity of on-grid generation of approximately 256MW as of 30 June 2023.

Geographical information

During the Period, the top five customers represented approximately 59.2% of total revenue, as compared to approximately 61.2% for the corresponding period in 2022. The largest customer accounted for approximately 14.6% of total revenue, as compared to approximately 17.4% for the corresponding period in 2022. The largest customer is State Grid Kashi 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 RMB33.3 million, or 19.5%, from RMB170.7 million for the corresponding period in 2022 to RMB137.4 million for the Period, primarily due to the completion of registration for the share transfer of target companies in connection with solar power plants disposals during the Period, while there was no such revenue recognized after completion. In particular, the completion of registration for the share transfer of the 100% equity interest of Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd* (保山長山順風尚德新能源有限公司) in February 2023 and the 100% equity interest of Pu Xin Cheng Da (BVI) Limited in respect of the 2022 Second Disposal in June 2023, 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 RMB15 million and the power generation volume also recorded an estimated loss of approximately 19,000 MWh for the Period.

Cost of sales

Cost of sales increased by RMB4.4 million, or 7.3%, from RMB59.9 million for the corresponding period in 2022 to RMB64.3 million for the Period, primarily because there was no amortization of the assets classified as held for sale for the corresponding period in 2022.

Gross profit

Gross profit decreased by RMB37.7 million, or 34.0%, from RMB110.8 million for the corresponding period in 2022 to RMB73.1 million for the Period.

Other income

Other income decreased by RMB3.5 million, or 38.9%, from RMB9.0 million for the corresponding period in 2022 to RMB5.5 million for the Period, primarily due to the imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets decreased by RMB2.6 million from RMB5.4 million for the corresponding period in 2022 to RMB2.8 million for the Period.

Other gains and losses

Other gains and losses recorded a net loss of RMB108.0 million for the Period, as compared to a net loss of RMB118.4 million recorded for the corresponding period in 2022, which was primarily due to (i) an impairment loss on assets classified as held for sale of RMB27.0 million recorded for the corresponding period in 2022, while there was no such impairment loss on assets classified as held for sale recorded for the Period and (ii) a net foreign exchange loss of RMB77.9 million recorded for the Period, while a net foreign exchange loss of RMB110.0 million was recorded for the corresponding period in 2022. Nevertheless, a reversal of impairment loss on solar power plants of RMB49.8 million was recorded for the corresponding period in 2022, while a reversal of impairment loss on solar power plants of RMB0.1 million was recorded for the Period, which are partially offset as stated above.

Impairment losses under expected credit loss model, net of reversal

An impairment loss under expected credit loss model of RMB16.5 million was recorded for the Period, while a net of reversal of impairment loss under expected credit loss model of RMB64.3 million was recorded for the corresponding period in 2022, which was primarily due to (i) a loss allowance reversed on other receivables of RMB30.8 million was recorded for the corresponding period in 2022, while a loss allowance recognised on other receivables of RMB41.6 million was recorded for the Period and (ii) a loss allowance reversed on amounts due from the related parties of RMB42.0 million was recorded for the corresponding period in 2022, while a loss allowance reversed on amounts due from the related parties of RMB24.5 million was recorded for the Period.

Administrative expenses

Administrative and general expenses decreased by RMB1.8 million, or 4.2%, from RMB42.5 million for the corresponding period in 2022 to RMB40.7 million for the Period.

Share of profits of associates

Share of profits of associates for the Period decreased by RMB0.6 million, or 33.9%, from RMB1.74 million for the corresponding period in 2022 to RMB1.15 million for the Period.

Finance costs

Finance costs increased by RMB2.2 million, or 1.0%, from RMB218.8 million for the corresponding period in 2022 to RMB221.0 million for the Period, which was primarily due to the increase in interest on bank and other borrowings by RMB6.9 million, or 5.2%, from RMB133.7 million for the corresponding period in 2022 to RMB140.6 million for the Period.

Loss before income tax

Due to the above reasons, loss before income tax increased by RMB112.6 million from RMB193.9 million for the corresponding period in 2022 to RMB306.5 million for the Period.

Income tax expense

Income tax expense decreased by RMB0.5 million, or 23.8%, from RMB2.1 million for the corresponding period in 2022 to RMB1.6 million for the Period.

Loss for the Period

As a result of the reasons stated above, the loss for the Period increased by RMB112.1 million from RMB196.0 million for the corresponding period in 2022 to RMB308.1 million for the Period.

Trade receivables turnover days

The trade receivables turnover days as at 30 June 2023 was 1,090.3 days (31 December 2022: 990.2 days). The increase in turnover days was primarily due to the decrease of the tariff subsidies to be received by the Group.

Trade payables turnover days

The trade payables turnover days as at 30 June 2023 was 57.1 days (31 December 2022: 102.7 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 2023, the Group's current ratio (current assets divided by current liabilities) was 0.49 (31 December 2022: 0.63) and it was in a negative net cash position.

As at 30 June 2023, the Group was in a negative net cash position of RMB3,431.1 million (31 December 2022: a negative net cash position of RMB3,911.5 million), which included cash and cash equivalents of RMB142.5 million (31 December 2022: RMB532.6 million), bank and other borrowings of RMB1,690.5 million (31 December 2022: RMB2,598.3 million), convertible bonds of RMB621.9 million (31 December 2022: RMB605.6 million), bonds payable of RMB585.4 million (31 December 2022: RMB585.4 million) and loan from a related company of RMB675.8 million (31 December 2022: RMB654.8 million).

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 -326.1% as at 31 December 2022 to -210.8% as at 30 June 2023.

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 2022: Nil).

Contingent liabilities and guarantees

As at 30 June 2023, the Group did not provide guarantees to independent third parties and related parties (31 December 2022: Nil). As at 30 June 2023, the Group did not have any significant contingent liabilities (at 31 December 2022: Nil).

Charges on the Group's assets

At the end of the Period, save for restricted bank deposits and the right-of-use assets, the Group had pledged 100% of its equity interest in Shunfeng Photovoltaic Holdings Limited (31 December 2022: 100% of its equity interest in Shunfeng Photovoltaic Holdings Limited). Meanwhile, in respect of 17 (31 December 2022: 18) 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 2023, the Group had pledged certain trade and other receivables with carrying amounts of RMB853.7 million (31 December 2022: RMB986.1 million) and solar power plants with carrying amounts of RMB1,071.3 million (31 December 2022: RMB1,375.6 million) to various banks and other financial institutions for securing loans and general credit facilities granted to the Group.

As at 30 June 2023, the Group had pledged right-of-use assets and other deposits included in other non-current assets with carrying amounts of RMB26.3 million (31 December 2022: RMB26.5 million).

As at 30 June 2023, the Group pledged restricted bank deposits in an aggregate amount of approximately RMB5.7 million (31 December 2022: RMB21.9 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 30 June 2023 and 31 December 2022, 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 arrangements of foreign currency forward contracts, and will consider hedging significant foreign currency exposure should the need arise.

Significant investments held and material acquisitions or disposals

As disclosed in the announcement of the Company dated 4 July 2022, Shunfeng Photovoltaic Holdings Limited, Xinjiang Pu Xin Cheng Da Energy Technology Limited* (新疆普新誠達能源科技有限公司) (“**Xinjiang Pu Xin Cheng Da**”), Jiangxi Shunfeng, Shunfeng Photovoltaic Investments and the Company, entered into the sale and purchase agreements (the “**2022 Second Disposal Sale and Purchase Agreement**”) with Sino Alliance Capital Ltd. (as the purchaser), pursuant to which the 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 Pu Xin Cheng Da (BVI) Limited which holds 100% entity interest in Xinjiang Pu Xin Cheng Da, at an aggregate consideration of approximately RMB664.3 million, which is equivalent to approximately HK\$777.5 million (the “**2022 Second Disposal**”).

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2022 Second Disposal Sale and Purchase Agreement and the 2022 Second Disposal exceed 75%, the 2022 Second Disposal constitutes 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 2022 Second Disposal was approved by the Shareholders at the extraordinary general meeting on 25 November 2022. The registration of the share transfer of Pu Xin Cheng Da (BVI) Limited was completed in June 2023.

Human resources

As at 30 June 2023, the Group had 76 employees. The remuneration packages for the existing 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

On 18 August 2023, the Company entered into a convertible bond redemption agreement and a bond subscription agreement with Peace Link Services Limited (“**Peace Link**”), pursuant to which the Company has completed the redemption in respect of the issuance of convertible bonds at par to Peace Link with principal amount of HK\$930,500,000 (equivalent to RMB738,492,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HK\$1.26) on 19 August 2013 (i.e., the Second CB as defined in the annual report of the Company dated 30 March 2023) by issuing bonds in the principal amount of HK\$466,346,000 with 8% interest rate per annum, which will expire on 17 August 2025.

FUTURE PROSPECT

Following completion of the previous disposals of solar power plants since 2019 and the Lattice Power Disposal in 2021, 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 power plants, 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.

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 for the Period.

COMPLIANCE WITH THE MODEL CODE

The Company has also adopted the Model Code set out in Appendix 10 to 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.

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 2023. 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 information concerning the adoption of the going concern basis on which the interim financial information has been prepared, the Group incurred loss of RMB308,115,000 and RMB195,974,000 respectively for two consecutive period of six months ended 30 June 2023 and 2022, and the Group had net current liabilities of RMB2,086,719,000 and net liabilities of RMB1,306,798,000 as at 30 June 2023. As at 30 June 2023, the Group had bank and other borrowings, convertible bonds and bond payables totaling RMB2,350,478,000 repayable within one year or on demand. In addition, as at 30 June 2023, the Group had overdue bank and other borrowings and bonds payable of approximately RMB734,563,000 and RMB585,372,000 respectively.

Further, two bondholders of a corporate bond initiated an arbitration with the Group through the Shanghai Arbitration Commission for the settlement of the outstanding principal of the corporate bond and accrued bond interests in arrears. A freezing order (the “**First 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 four subsidiaries have been put under the First Freezing Order. As at 30 June 2023, the total principal amount of the corporate bond of RMB329,909,000 (31 December 2022: RMB329,909,000) and accrued bond interests of RMB107,042,000 (31 December 2022: RMB94,280,000) were recognised in bond payables and trade and other payables, respectively. Up to the date of this report, the above proceedings have not been completed in the Shanghai Arbitration Commission.

Another freezing order (the “**Second Freezing Order**”) was issued by the Changzhou Intermediate People’s Court of Jiangsu Province upon a creditor (the “**Creditor**”) of a bondholder filed a petition with the Changzhou Intermediate People’s Court of Jiangsu Province requesting Shunfeng Photovoltaic Investment (China) Company Limited (順風光電投資(中國)有限公司) (“**Shunfeng Photovoltaic Investments**”) to settle the principal amount of RMB142 million of a corporate bond (the “**2016 Corporate Bond**”) and interests of the 2016 Corporate Bond to the Creditors. Certain interests of subsidiaries of the Group have been put under the Second Freezing Order. As at 30 June 2023, the total principal amount of the 2016 Corporate Bond of RMB255,463,000 (31 December 2022: RMB255,463,000) and accrued bond interests of RMB91,337,000 (31 December 2022: RMB81,583,000) were recognised in bond payables and trade and other payables, respectively. In April 2023, Changzhou Intermediate People’s Court of Jiangsu Province issued a judgment requiring Shunfeng Photovoltaic Investment to repay the principal of the 2016 Corporate Bond of RMB142 million and the interest of approximately RMB55,198,000 to the Creditor. The Creditor appealed to the High People’s Court of Jiangsu Province. Up to the date of this report, the above proceedings have not been completed in the high People’s Court of Jiangsu Province.

Lastly, a freezing order (the “**Third Freezing Order**”) was issued by the Nanchang Intermediate People’s Court of Jiangxi Province upon the application by a bank for the settlement of bank borrowings and accordingly, the equity interest of a subsidiary have been put under the Third Freezing Order. As at 30 June 2023, the total principal and interest amount of RMB12,219,000 (31 December 2022: RMB21,219,000) and RMB2,425,000 (31 December 2022: RMB2,036,000) were recognised in bank and other borrowings and trade and other payables respectively, of which principal and interest amount of Nil (31 December 2022: RMB4,829,000) and RMB2,425,000 (31 December 2022: RMB2,036,000) were overdue respectively. Up to the date of this report, the above proceedings have not been completed in the Nanchang Intermediate People’s Court of Jiangxi Province.

However, the Group maintained cash and cash equivalents of approximately RMB142,525,000 as at 30 June 2023 only.

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 information. The interim financial information 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 complete the disposals of the subsidiaries as planned as well as collecting the sale proceeds in accordance with the amount and timing expected by the Company; (ii) whether the Group is able to release the First Freezing Order and the Second Freezing Order of certain subsidiaries which are expected to be disposed by the Group; and (iii) whether the Group is able to negotiate with creditors, banks, financial institutions and bondholders for alternative refinancing and/or extension of the 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 information on an alternative basis, significant adjustments to the amounts and presentation of financial information items may have been required.

DISCLAIMER OF CONCLUSION

We do not express a conclusion on the interim financial information 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 the interim financial information.’

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 announcement, the Company has maintained the prescribed public float of not less than 25% of the issued Shares as required under the Listing Rules for the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement 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>). The interim report of the Company for the Period containing all the information as required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITIONS

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

“Audit Committee”	the audit committee of the Board
“Board”	the board of director(s) of the Company
“Company”	Shunfeng International Clean Energy Limited
“Corporate Governance Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Directors(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
“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 one million watts
“MWh”	megawatt hour
“Period”	six months ended 30 June 2023
“PRC” or “China”	the People’s Republic of China
“PV”	photovoltaic
“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
“we”, “our” or “us”	the Company or the Group (as the context requires)

By order of the Board
Shunfeng International Clean Energy Limited
Wang Yu
Chairman

Hong Kong, 30 August 2023

As at the date of this announcement, the executive Directors are Mr. Wang Yu, Mr. Zhang Fubo, Mr. Lu Bin and Mr. Chen Shi; and the independent non-executive Directors are Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson.