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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 AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board is pleased to announce the audited consolidated annual results of the Group for the Year together with the comparative figures for the year ended 31 December 2022 as follows:

RESULTS HIGHLIGHTS			
	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2022 RMB'000	% of Changes
Revenue			
– Solar power generation	238,481	313,143	(23.8%)
Gross profit	118,185	144,418	(18.2%)
Loss for the year	(471,040)	(178,627)	163.7%
EBITDA	43,904	411,541	(89.3%)
Adjusted EBITDA*	177,678	300,036	(40.8%)
Basic loss per share	RMB(8.84) cents	RMB(3.48) cents	154.0%

* Adjusted EBITDA excluded finance costs, income tax, depreciation and amortisation, net foreign exchange loss, bank interest income, share of profits of associates, impairment loss on property, plant and equipment and intangible assets, reversal of impairment loss on solar power plants, loss on disposal of subsidiaries, loss on deregistration of a subsidiary, gain on settlement of a financial guarantee, and loss allowances recognised/(reversed) on trade and other receivables, other non-current assets, amounts due from the related parties and a non-controlling shareholder and financial guarantee contracts, net.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited results of the Group for the Year.

In 2023, the Company has been adhering to the clear and responsive strategies and the effective resources allocation plan devised by the Board and the management previously in order to strike a balance between continuing to hold long-term assets and reducing short-term cash flow deficit in the interests of the Shareholders and the Company. During the Year, the Company completed the project for disposal of a solar power plant and actively identified potential buyers to negotiate the proposed disposal of certain solar power plant assets. Moreover, the Company has continued to conduct sufficient and friendly negotiations with major financial institutions, with whom the Company has established long-term cooperation, in respect of the renewal of debts, leading to the reduction of the total debts and finance costs of the Company.

Pursuant to the Notice on Carrying out Self-inspection Work on Renewable Energy Power Generation Subsidies (《關於開展可再生能源發電補貼自查工作的通知》) (hereinafter referred to as the “**324 Notice**”) jointly issued by the General Office of the National Development and Reform Commission, the General Office of Ministry of Finance and the National Energy Administration on 24 March 2022, the nationwide inspection of renewable energy power generation subsidies has been carried out. However, by the end of the Year, the relevant authorities have not yet announced the results of the subsidies inspection on most of the Company's solar power plants in the PRC, which undoubtedly deferred the Company's plan to dispose of certain solar power plants in 2023.

FUTURE PROSPECT

Looking forward, the Company expects to receive the results of the subsidies inspection of the solar power plants under the 324 Notice as soon as possible, so as to promote the proposed disposal plan of certain solar power plants of the Company and improve the cash flow position of the Company. In line with the continuous promotion of the green and low-carbon trend in the market, the Company will continue to target to become an integrated energy solutions supplier, and appropriately adjust its asset allocation structure and investment direction, with an aim to create ample business opportunities and greater value for the Company and our Shareholders with these businesses in the future.

On behalf of the Board, I would like to thank our management team and staff for their dedication and commitment, and our Shareholders and business partners for their staunch support and trust.

Wang Yu

Chairman

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	238,481	313,143
Cost of sales		<u>(120,296)</u>	<u>(168,725)</u>
Gross profit		118,185	144,418
Other income	6	8,808	106,071
Other gains and losses, net	7	(165,803)	64,812
Reversal of impairment losses under expected credit loss model, net of reversal		47,315	29,016
Administrative expenses		(78,558)	(88,314)
Share of profits of associates		1,802	1,010
Finance costs	8	<u>(398,163)</u>	<u>(430,829)</u>
Loss before tax	9	(466,414)	(173,816)
Income tax expense	10	<u>(4,626)</u>	<u>(4,811)</u>
Loss for the year		<u>(471,040)</u>	<u>(178,627)</u>
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Fair value gain on receivables at fair value through other comprehensive income (“FVTOCI”)		<u>11</u>	<u>13</u>
Other comprehensive income for the year, net of tax		<u>11</u>	<u>13</u>
Total comprehensive loss for the year		<u><u>(471,029)</u></u>	<u><u>(178,614)</u></u>

	2023	2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year attributable to:		
Owners of the Company	(449,458)	(173,900)
Non-controlling interests	(21,582)	(4,727)
	<u>(471,040)</u>	<u>(178,627)</u>
 Total comprehensive loss for the year attributable to:		
Owners of the Company	(449,447)	(173,887)
Non-controlling interests	(21,582)	(4,727)
	<u>(471,029)</u>	<u>(178,614)</u>
 Loss per share		
– Basic (RMB cents)	<u>(8.84)</u>	<u>(3.48)</u>
 – Diluted (RMB cents)	<u>(8.84)</u>	<u>(3.48)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		26,172	25,667
Right-of-use assets		44,074	63,031
Solar power plants		1,058,015	1,403,592
Intangible assets		35,854	111,315
Interests in associates		37,451	35,649
Interest in a joint venture		—	—
Financial assets at fair value through profit or loss ("FVTPL")		1,000	1,000
Other non-current assets		12,921	25,814
Value-added tax recoverable		17,483	12,575
		<u>1,232,970</u>	<u>1,678,643</u>
Current assets			
Trade and other receivables	13	982,042	1,150,339
Receivables at FVTOCI		1,070	5,625
Value-added tax recoverable		7,569	11,554
Prepayments to suppliers		6,457	7,335
Amounts due from related parties		915,668	1,000,614
Tax recoverables		—	555
Restricted bank deposits		6,417	21,932
Bank balances and cash		97,446	532,618
		<u>2,016,669</u>	<u>2,730,572</u>
Assets classified as held for sale	14	—	649,583
		<u>2,016,669</u>	<u>3,380,155</u>
Current liabilities			
Trade and other payables	15	924,637	916,470
Amounts due to the related parties		883,825	1,291,629
Lease liabilities		12,871	14,922
Provisions		—	2,632
Tax liabilities		1,835	—
Bank and other borrowings		1,203,642	2,175,190
Convertible bonds		175,069	396,904
Bond payables		585,372	585,372
		<u>3,787,251</u>	<u>5,383,119</u>

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Liabilities directly associated with assets held for sale	<i>14</i>	—	21,879
		<u>3,787,251</u>	<u>5,404,998</u>
Net current liabilities		<u>(1,770,582)</u>	<u>(2,024,843)</u>
Total assets less current liabilities		<u>(537,612)</u>	<u>(346,200)</u>
Non-current liabilities			
Bank and other borrowings		404,962	423,145
Amounts due to the related parties		419,815	—
Lease liabilities		14,844	20,624
Convertible bonds		88,889	208,725
		<u>928,510</u>	<u>652,494</u>
NET LIABILITIES		<u><u>(1,466,122)</u></u>	<u><u>(998,694)</u></u>
EQUITY			
Share capital		41,641	41,641
Reserves		<u>(1,578,231)</u>	<u>(1,132,385)</u>
Total equity attributable to owners of the Company		<u>(1,536,590)</u>	<u>(1,090,744)</u>
Non-controlling interests		<u>70,468</u>	<u>92,050</u>
TOTAL EQUITY		<u><u>(1,466,122)</u></u>	<u><u>(998,694)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shunfeng International Clean Energy Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Rooms 3803-05, 38/F, China Resources Building, No. 26 Harbour Road, Wan Chai, Hong Kong, respectively. The Company and its subsidiaries (together with the Company, the “**Group**”) are principally engaged in the business of providing clean energy and low-carbon energy-saving integrated solutions.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION

2.1 Going Concern Basis

The Group incurred loss of RMB471,040,000 and RMB178,627,000 respectively for the two consecutive years ended 31 December 2023 and 2022, and the Group had net current liabilities of RMB1,770,582,000 and net liabilities of RMB1,466,122,000 as at 31 December 2023. As at 31 December 2023, the Group had bank and other borrowings, convertible bonds and bond payables totaling RMB1,964,083,000 repayable within one year or on demand. Out of which, as at 31 December 2023, the Group had overdue bank and other borrowings and bonds payable of approximately RMB868,962,000 and RMB585,372,000 respectively.

During the year, there were two freezing orders had been issued in relation to the bond payables:

– *2015 Corporate Bond*

Two bondholders of the 2015 Corporate Bond initiated an arbitration with the Group through Shanghai Arbitration Commission for the settlement of the outstanding principal and accrued bond interests in arrears. A freezing order (the “**First Freezing Order**”) was issued by 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 31 December 2023, the total principal amount of RMB329,909,000 (2022: RMB329,909,000) and accrued bond interests of RMB120,014,000 (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.

– **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 Creditor.

Further, a freezing order (the “**Second Freezing Order**”) was issued by Changzhou Intermediate People’s Court upon the application by the Creditor and accordingly, the equity interests of certain subsidiaries, being Xinjiang Tianli, Jiangsu Shunyang, Jiangxi Shunfeng, Turpan Shunfeng, 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**”), Baoshan Changshan Shunfeng Shangde New Energy Co., Ltd (保山長山順風尚德新能源有限公司) (“**Baoshan Changshan**”), and Hainan Xinsheng New Energy Technology Co. Ltd. (海南州鑫昇新能源科技有限公司) (“**Hainan Xinsheng**”), have been put under the Second Freezing Order. As at 31 December 2023, the total principal amount of the 2016 Corporate Bond of RMB255,463,000 (2022: RMB255,463,000) and accrued bond interests of RMB101,253,000 (2022: RMB81,583,000) were recognised in bond payables and trade and other payables respectively. In 2023, Baoshan Changshan and Xinjiang Pu Xin Cheng Da were released from the Second Freezing Order. In April 2023, Changzhou Intermediate People’s Court of Jiangsu Province issued a judgment requiring Shunfeng Photovoltaic Investment to settle 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.

However, the Group maintained cash and cash equivalents of approximately RMB97,446,000 as at 31 December 2023 only.

These conditions indicate the existence of a material uncertainties 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 are not limited to the following:

- (i) completing the possible 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.

The directors of the Company are of the opinion that future cash flow generated from operation together with the financial plans and measures will be sufficient to repay all these liabilities. The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise International Financial Reporting Standards; 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 consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. 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.

4. REVENUE

A. Disaggregation of revenue from contracts with customers

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from sales of electricity		
Sales of electricity	67,047	95,001
Tariff subsidies	<u>171,434</u>	<u>218,142</u>
	<u><u>238,481</u></u>	<u><u>313,143</u></u>
Geographical market		
The PRC	<u><u>238,481</u></u>	<u><u>313,143</u></u>
Timing of revenue recognition		
At a point in time	<u><u>238,481</u></u>	<u><u>313,143</u></u>

B. Performance obligations for contracts with customers

Sales of electricity

Revenue arising from the sales of electricity is recognised at a point in time when electricity is generated and transmitted.

Revenue from sales of electricity is based on the on-grid benchmark tariff rates of local coal-fired power plants, which vary across provinces and can be adjusted by the government. It is currently settled by state grid companies for the electricity generated by the solar power plants on a monthly basis.

Tariff subsidies

Tariff subsidies represent subsidies received and receivable from the government authorities in respect of the Group's solar power generation business. Tariff subsidies are recognised at their fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

Revenue from tariff subsidies is based on the difference between the feed-in-tariff regime implemented by the government for the provision of subsidies to the solar power plants operators and the revenue from sales of electricity.

5. SEGMENT INFORMATION

Information has been reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The Group's reportable and operating segments for both years 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Segment revenue		
Sales of electricity	67,047	95,001
Tariff subsidies (<i>Note</i>)	171,434	218,142
	<u>238,481</u>	<u>313,143</u>
Segment profit	<u>72,412</u>	<u>298,172</u>
Unallocated income		
– Bank interest income	4,112	4,152
Unallocated expenses		
– Central administration costs	(117,882)	(273,409)
– Finance costs	(398,163)	(430,829)
Gain on settlement of a financial guarantee	–	190,809
Impairment loss on intangible assets	(60,227)	–
Reversal of provision on legal claims	1,382	–
Loss allowance recognised on financial guarantee contract for a joint venture	–	(12,555)
Loss allowance reversed on amounts due from the related parties	30,062	48,941
Loss allowance reversed/(recognised) on certain other receivables	88	(107)
Share of profits of associates	1,802	1,010
	<u>1,802</u>	<u>1,010</u>
Loss before tax	<u>(466,414)</u>	<u>(173,816)</u>

Note:

The amount represents the tariff subsidies which were adjusted with the amount of significant financing component. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

Amounts included in the measure of segment profit:

	2023	2022
	RMB'000	RMB'000
Loss on disposal of a subsidiary (<i>Note 16</i>)	(28,643)	(21,131)
Impairment loss on property, plant and equipment	–	(3,940)
Reversal of impairment loss on solar power plants, net	–	141,006
Loss allowance reversed/(recognised) on trade and other receivables, contract assets and other non-current assets, net	17,165	(7,263)

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

Segment results do not include certain bank interest income, central administration cost, finance costs, gain on settlement of a financial guarantee, loss on disposal of subsidiaries, reversal of provision on legal claims, loss allowance recognised on financial guarantee contract for a joint venture, loss allowance reversed/(recognised) on amounts due from the related parties and certain other receivables and share of profits of associates.

6. OTHER INCOME

	2023	2022
<i>Notes</i>	RMB'000	RMB'000
Bank interest income	4,112	4,152
Government grants	–	34
Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets	4,645	9,574
Contingent tariff subsidies received	–	92,043
Others	51	268
	8,808	106,071

Notes:

- (a) The government grants represent the amount received from the local government for supporting the development of the energy industry in Zhangjiakou City, Hebei Province, the PRC. There are no unfulfilled and other contingencies attaching to these grants.

- (b) The imputed interest income is recorded to other income, as a result of the significant financing component on accrued revenue of tariff subsidies 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.
- (c) On 17 September 2020, the Group acquired 100% of the equity interests in Xinjiang Pu Xin Cheng Da at a cash consideration of RMB54,906,000.

Xinjiang Pu Xin Cheng Da possessed the right to obtain tariff subsidies generated from a solar power plant as operated by the Group's subsidiary, Wujiaqu Xuyang Photovoltaic Power Generation Co., Ltd ("Wujiaqu Xuyang") since 2015. As at 17 September 2020, an amount of RMB159,395,000 was recorded as tariff receivable in the books of Xinjiang Pu Xin Cheng Da with respect to sales of electricity from 2015 to the date of acquisition generated by the solar power plant operated by Wujiaqu Xuyang. Management of the Company is of the opinion that such receivable is not recognised in the consolidated financial statements of the Group after acquiring Xinjiang Pu Xin Cheng Da since this may result in the recognition of income that may never be realised due to the tariff subsidies were subject to approval of the government. The Group recognised the sum of RMB92,043,000 received from the state grid companies during the year ended 31 December 2022 after the acquisition as other income since the realisation of income is virtually certain.

No such contingent tariff subsidies were received and recorded during the year ended 31 December 2023.

7. OTHER GAINS AND LOSSES, NET

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Impairment loss on property, plant and equipment		–	(3,940)
Impairment loss on intangible assets		(60,227)	–
Reversal of impairment loss on solar power plants		–	141,006
Written off of solar power plants		(2,501)	–
Loss on disposal of subsidiaries (Note 16)		(28,643)	(21,131)
Penalty	<i>(a)</i>	(811)	(15,717)
Loss on deregistration of a subsidiary		(30)	–
Waiver of trade and other payables		6,252	–
Net foreign exchange loss		(98,103)	(229,417)
Gain on settlement of a financial guarantee		–	190,809
Reversal of provision on legal claims		1,382	8,368
Others		16,878	(5,166)
		(165,803)	64,812

Note:

- (a) During the year ended 31 December 2023, it represented the penalty in relation to the late settlement of the land use tax in the PRC.

8. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank and other borrowings	236,665	261,722
Interest on loan from a related company	49,967	47,916
Interest on lease liabilities	1,450	1,276
Effective interest on convertible bonds	51,257	74,511
Effective interest on bond payables	45,404	45,404
Effective interest on bond payables to a related company	13,420	—
	<u>398,163</u>	<u>430,829</u>

9. LOSS BEFORE TAX

This is stated at after charging/(crediting) the following:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Directors' emoluments	7,539	7,198
Staff costs	15,029	22,446
Contributions to defined contribution retirement plans	3,472	4,555
	<u>26,040</u>	<u>34,199</u>
Impairment loss on property, plant and equipment	—	3,940
Impairment loss on intangible assets	60,227	—
Reversal of impairment loss on solar power plants	—	(141,006)
Auditor's remuneration	2,100	2,300
Depreciation of property, plant and equipment	1,397	1,165
Depreciation of completed solar power plants	88,986	131,437
Depreciation of right-of-use assets	6,538	6,692
Amortisation of intangible assets	15,234	15,234
Written off of solar power plant	2,501	5,278

10. INCOME TAX EXPENSE

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC Enterprise Income Tax		
Charge for the year	4,602	5,309
Under/(over) provision in prior years	24	(498)
	<u>4,626</u>	<u>4,811</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits arising in Hong Kong during the year ended 31 December 2023 (2022: nil).

Certain subsidiaries of the Group, being enterprises engaged in solar power generation 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 years.

11. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2023 and 2022.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	5,082,375,490	4,991,690,558
	2023	2022
	RMB'000	RMB'000
Loss for the year attributable to equity shareholders of the Company	<u>(449,458)</u>	<u>(173,900)</u>
Diluted loss per share		

As the Group's outstanding convertible bonds for both years would be anti-dilutive, no diluted earnings per share was presented in both years.

13. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		29,021	63,135
Accrued revenue on tariff subsidies	<i>i, vii</i>	736,805	835,322
		765,826	898,457
Less: loss allowance recognised		(5,824)	(5,128)
Total trade receivables and accrued revenue on tariff subsidies		760,002	893,329
Prepaid expenses		233	260
Other receivables			
Amounts due from independent third parties	<i>ii</i>	6,757	10,230
Amounts due from a disposed subsidiary	<i>ii</i>	1,420	–
Consideration receivables for disposal of subsidiaries in previous years	<i>iii</i>	20,483	29,915
Consideration receivables for disposal of Wushi and Two Target Companies	<i>iv</i>	70,867	107,173
Consideration receivables for disposal of Baoshan Changshan	<i>v</i>	241	–
Security deposits	<i>vi, viii</i>	119,184	105,684
Others	<i>vii</i>	2,855	3,748
		222,040	257,010
		982,042	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. Accrued revenue on tariff subsidies is discounted at an effective interest rate ranged from 2.12% to 2.34% (2022: ranged from 2.25% to 2.34%) per annum as at 31 December 2023.
- (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 31 December 2023, the amount included consideration receivable from the disposal of the subsidiaries amounting to RMB20,483,000, net of loss allowance of RMB34,386,000 (2022: RMB29,915,000, net of loss allowance of RMB58,881,000). The amount was non-trade in nature, unsecured, interest-free and repayable within one year.
- (iv) As at 31 December 2023, the amount included consideration receivable from the disposal of (i) Wushi Longbai Electricity Investment Co., Ltd (烏什龍柏電力投資有限公司) (“**Wushi**”) and (ii) Hebei Sanlong Electricity Technology Co. Ltd. (河北三龍電力科技有限公司) and Shangyi County Shunneng Photovoltaic Electricity Co., Ltd. (尚義縣順能光伏電力有限公司) (collectively, the “**Two Target Companies**”) amounting to RMB70,867,000, net of loss allowance of RMB19,158,000 (2022: RMB107,173,000, net of loss allowance of RMB13,852,000).
- (v) As at 31 December 2023, the amount included consideration receivable from the disposal of Baoshan Changshan amounting to RMB250,000, net of loss allowance of RMB9,000 (2022: nil).
- (vi) The amount represented RMB107,000,000 in 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 15 June 2018, an offsetting right has been granted by the Group to the independent financial institution, allowing it to offset the security deposit against the Group’s outstanding corporate bond payables upon the maturity of the corporate bond. The Group and the bondholder had entered into a supplementary agreement to extend the due dates of the remaining outstanding amounts of corporate bond payables to 25 October 2021. Additionally, RMB12,920,000 in deposits were placed for securing certain short term borrowings. As at 31 December 2023, loss allowances of RMB658,000 and RMB78,000 (2022: RMB1,316,000 and RMB52,817,000) were recognised, respectively.
- (vii) The amount mainly included custom deposits and advances to staff for the operational purpose for both years.
- (viii) Certain trade receivable and accrued revenue on tariff subsidies and security deposits had been pledged as securities for securing loans and general credit facilities granted to the Group as at 31 December 2023 and 2022.

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.

	2023	2022
	RMB'000	RMB'000
0 to 30 days	11,780	15,288
31 to 60 days	14,261	18,680
61 to 90 days	14,803	14,778
91 to 180 days	48,834	51,868
Over 180 days	670,324	792,715
	760,002	893,329

14. ASSETS CLASSIFIED AS HELD FOR SALE

At 31 December 2022

RMB'000

Property, plant and equipment	982
Solar power plants	533,469
Value-added tax recoverable	1,206
Prepayments to suppliers	135
Trade and other receivables	113,772
Bank balances and cash	19
	<hr/>
Total assets classified as held for sale	649,583
	<hr/> <hr/>
Trade and other payables	(19,526)
Tax liabilities	(2,353)
	<hr/>
Total liabilities associated with assets classified as held for sale	(21,879)
	<hr/> <hr/>

On 29 June 2022, Sino Alliance Capital Limited (the “**Purchaser**”), an independent third party, entered into a sale and purchase agreement (the “**Initial Sale and Purchase Agreement**”) with Shunfeng Photovoltaic Holdings Limited (the “**Vendor**”), a wholly-owned subsidiary of the Company, 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, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase entire equity interests in the subsidiaries (the “**Target Equity Interest**”) at an aggregate consideration of approximately RMB725,714,000 (the “**Initial Consideration**”) which will be updated at the date of completion.

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

The Initial Consideration payable by the Purchaser was approximately RMB725,714,000 (equivalent to approximately HK\$812,402,000), including the following:

- The Initial Consideration was settled by setting off RMB556,111,000 (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 31 December 2022, the remaining outstanding principal and interest owed by the Vendor to the Purchaser are RMB34,360,000, (equivalent to HK\$38,443,000) and RMB135,243,000 (equivalent to HK\$151,402,000), respectively, and the amounts will be updated at the date of completion.

The shareholders of the Company have approved, confirmed and ratified the disposal on 25 November 2022.

The disposal of the Target Equity Interest was completed in June 2023 (Note 16).

15. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Trade payables		1,355	6,208
Payables for EPC of solar power plants	<i>i</i>	46,960	138,167
Other tax payables		13,870	15,716
Amounts due to independent third parties	<i>ii</i>	15,437	6,767
Interest payables		735,816	713,862
Accrued expenses		10,340	10,783
Accrued payroll and welfare		1,580	3,287
Consideration payable for previous acquisition of subsidiaries	<i>iii</i>	6,849	5,700
Amounts due to a disposed subsidiary (Note 16)		91,092	–
Payables for financial guarantee		–	12,918
Others		1,338	3,062
		924,637	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 31 December 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 30 days	768	1,758
31 to 60 days	85	1,743
61 to 90 days	50	2,160
91 to 180 days	151	547
Over 180 days	301	—
	<u>1,355</u>	<u>6,208</u>

16. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Target Equity Interest

The Purchaser, an independent third party, the Vendor, a wholly-owned subsidiary of the Company, 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, the “**Final 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 Target Equity Interest at an aggregate consideration of approximately RMB771,040,000 (the “**Final 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 Final Consideration payable by the Purchaser was approximately RMB771,040,000 (equivalent to approximately HKD843,772,000), including the following:

- the Final Consideration was settled by setting off RMB568,894,000 (equivalent to HKD622,557,000) 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 HKD38,443,000) and RMB167,017,000 (equivalent to HKD182,772,000), respectively.

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

Net assets of the Target Equity Interest at the date of disposal were as follows (below financial information of the Target Equity Interest had been classified as assets held for sales since 2022):

	<i>RMB'000</i>
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	(2,564)
	<hr/>
Net assets disposed of	732,856
Gain on disposal of subsidiaries (*)	38,184
	<hr/>
Outstanding principal and interest owed by the Vendor to the Purchaser discharged for settlement of the Final Consideration	771,040
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received	—
	<hr/> <hr/>

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

(b) Disposal of 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 year ended 31 December 2023.

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

	<i>RMB'000</i>
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/>

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

17. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, there were no significant events after the reporting period up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group engages one segment of solar power generation in the PRC during the Year, 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 Year, the solar power plants in the PRC owned by the Group generated an aggregate of approximately 298,718 MWh.

	For the year ended		
	31 December		
	2023	2022	% of Changes
	<i>MWh</i>	<i>MWh</i>	
Power generation volume in the PRC	<u>298,718</u>	<u>399,828</u>	(25.3%)

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 in the PRC as of 31 December 2023.

Geographical information

During the Year, the top five customers represented approximately 56.9% of total revenue, as compared to approximately 61.7% for the year ended 31 December 2022. The largest customer accounted for approximately 14.9% of total revenue, as compared to approximately 16.0% for the year ended 31 December 2022. The largest customer is Kezhou Power Supply Company of State Grid Xinjiang Electric Power Company Limited, 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 Year.

FINANCIAL REVIEW

Revenue

Solar power generation in the PRC

Revenue decreased by RMB74.6 million, or 23.8%, from RMB313.1 million for the year ended 31 December 2022 to RMB238.5 million for the Year, primarily due to the completion of registration for the share transfer of target companies in connection with solar power plants disposals for the Year, while there was no such revenue recognised 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 Year, resulting in a decrease in power generation. As a result, the revenue from power generation in the PRC of the Group decreased by approximately RMB40 million and the power generation volume also recorded an estimated loss of approximately 46,000MWh for the Year.

Cost of sales

Cost of sales decreased by RMB48.4 million, or 28.7%, from RMB168.7 million for the year ended 31 December 2022 to RMB120.3 million for the Year, primarily because the power generation volume in the PRC decreased by 101,110MWh, or 25.3% from 399,828 MWh for the year ended 31 December 2022 to 298,718MWh for the Year.

Gross profit

Gross profit decreased by RMB26.2 million, or 18.1%, from RMB144.4 million for the year ended 31 December 2022 to RMB118.2 million for the Year.

Other income

Other income decreased by RMB97.3 million, or 91.7%, from RMB106.1 million for the year ended 31 December 2022 to RMB8.8 million for the Year, primarily due to the contingent tariff subsidies received of RMB92.0 million recorded for the year ended 31 December 2022, while there was no such income recorded for the Year.

Other gains and losses, net

Other gains and losses recorded a net loss of RMB165.8 million for the Year, while a net gain of RMB64.8 million was recorded for the year ended 31 December 2022, which was primarily due to (i) a gain on settlement of a financial guarantee of RMB190.1 million recorded for the year ended 31 December 2022, while there was no such gain recorded for the Year, (ii) a reversal of impairment loss on solar power plants of RMB141.0 million recorded for the year ended 31 December 2022, while there was no such reversal recorded for the Year and (iii) an impairment loss on intangible assets of RMB60.2 million recorded for the Year, while there was no such loss recorded for the year ended 31 December 2022. Nevertheless, a decrease in a net foreign exchange loss by RMB131.3 million, or 57.2% from RMB229.4 million for the year ended 31 December 2022 to RMB98.1 million for the Year was recorded, which was partially offset as stated above.

Reversal of impairment losses under expected credit loss model, net of reversal

A net of reversal of impairment loss under expected credit loss model increased by RMB18.3 million, or 63.1%, from RMB29.0 million for the year ended 31 December 2022 to RMB47.3 million for the Year, primarily due to (i) a loss allowance reversed on other receivables of RMB18.1 million was recorded for the Year, while a loss allowance recognised on other receivables of RMB5.8 million was recorded for the year ended 31 December 2022, (ii) a loss allowance reversed on amounts due from the related parties and a non-controlling shareholder decreased by RMB18.8 million, or 38.4% from RMB48.9 million for the year ended 31 December 2022 to RMB30.1 million for the Year and (iii) a loss allowance recognised on financial guarantee contracts of RMB12.6 million was recorded for the year ended 31 December 2022, while there was no such a loss allowance recognised for the Year.

Administrative expenses

Administrative expenses decreased by RMB9.7 million, or 11.0%, from RMB88.3 million for the year ended 31 December 2022 to RMB78.6 million for the Year.

Share of profits of associates

Share of profits of associates increased by RMB0.8 million or 80.0%, from RMB1.0 million for the year ended 31 December 2022 to RMB1.8 million for the Year.

Finance costs

Finance costs decreased by RMB32.6 million, or 7.6%, from RMB430.8 million for the year ended 31 December 2022 to RMB398.2 million for the Year, primarily due to the decrease in interest on bank and other borrowings by RMB25.0 million, or 9.6%, from RMB261.7 million for the year ended 31 December 2022 to RMB236.7 million for the Year.

Loss before tax

Due to the above reasons, loss before tax increased by RMB292.6 million, from a loss of RMB173.8 million for the year ended 31 December 2022 to a loss of RMB466.4 million for the Year.

Income tax expense

Income tax expense decreased by RMB0.2 million, from RMB4.8 million for the year ended 31 December 2022 to RMB4.6 million for the Year.

Loss for the Year

As a result of the reasons stated above, the loss for the year increased by RMB292.4 million, or 163.7%, from the loss of RMB178.6 million for the year ended 31 December 2022 to the loss of RMB471.0 million for the Year.

Trade receivables turnover days

The trade receivables turnover days as at 31 December 2023 was 1,247.9 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 31 December 2023 was 66.1 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 Year.

Indebtedness, liquidity, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As at 31 December 2023, the Group's current ratio (current assets divided by current liabilities) was 0.53 (31 December 2022: 0.63).

As at 31 December 2023, the Group was in a negative net cash position of RMB3,444.6 million (31 December 2022: a negative net cash position of RMB3,911.5 million), which included cash and cash equivalents of RMB97.4 million (31 December 2022: RMB532.6 million), bank and other borrowings of RMB1,608.6 million (31 December 2022: RMB2,598.3 million), convertible bonds of RMB264.0 million (31 December 2022: RMB605.6 million), bond payables of RMB585.4 million (31 December 2022: RMB585.4 million), loan from a related company of RMB664.2 million (31 December 2022: RMB654.8 million) and bond payable to a related company of RMB419.8 million (31 December 2022: Nil).

The Group's bank and other borrowings, cash and bank balances and restricted 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 -161.0% as at 31 December 2023.

During the Year, 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 31 December 2023, the Group did not provide guarantees to independent third parties and related parties (31 December 2022: Nil). As at 31 December 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 reporting period, save for restricted bank deposits and the right-of-use assets, the Group had pledged its 100% equity interest in Shunfeng Photovoltaic Holdings Limited (31 December 2022: 100% equity interest in Shunfeng Photovoltaic Holdings Limited). Meanwhile, 90% to 100% equity interests and related assets of 17 (31 December 2022: 18) subsidiaries of the Group, which operated solar power generation, were also pledged in order to obtain bank and other borrowings.

As at 31 December 2023, the Group had pledged certain trade and other receivables with a carrying amount of RMB865.7 million (31 December 2022: RMB986.1 million) and solar power plants with a carrying amount of RMB1,031.6 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 31 December 2023, the Group had pledged right-of-use assets and other deposits included in other non-current assets with a carrying amount of RMB13.5 million (31 December 2022: RMB26.5 million).

As at 31 December 2023, the Group pledged restricted bank deposits in an aggregate amount of approximately RMB6.4 million (31 December 2022: RMB21.9 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 31 December 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, trade and other receivables, trade and other payables and bank and other 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, Jiangxi Shunfeng, Shunfeng Photovoltaic Investments and the Company, entered into the sale and purchase agreement (the “**2022 Second Disposal Sale and Purchase Agreement**”) with Sino Alliance Capital Ltd. (as the purchaser), pursuant to which Shunfeng Photovoltaic Holdings Limited has conditionally agreed to sell, and Sino Alliance Capital Ltd. has conditionally agreed to purchase, the target equity interest, representing 100% of the equity interests in 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 share transfer of Pu Xin Cheng Da (BVI) Limited was completed in June 2023.

Human resources

As at 31 December 2023, the Group had 71 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.

Final dividend

The Board has resolved not to declare final dividend for the Year.

Events subsequent to the Year

References are made to the Company's announcements dated 4 July 2022, 25 November 2022, 29 December 2022, 13 June 2023 and 12 January 2024 and the Company's circular (the "Circular") dated 26 October 2022, in relation to the Sale and Purchase Agreement and the Supplemental Agreement entered into among the Purchaser, the Vendor, Xinjiang Pu Xin Cheng Da, Jiangxi Shunfeng, Shunfeng Photovoltaic Investments and the Company on 29 June 2022 and 13 June 2023 respectively. Unless otherwise defined, capitalised terms shall have the meanings as defined in the Circular. On 29 December 2023, the Company, Jiangxi Shunfeng, Shunfeng Photovoltaic Investments and the Vendor (collectively, as the defendants) received a Writ of Summons issued on 29 December 2023 by the Purchaser (as the plaintiff) in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region, claiming for the difference of loss of Xinjiang Pu Xin Cheng Da from 30 September 2020 to the date of Completion and the change of equity of Xinjiang Pu Xin Cheng Da from 31 December 2021 to the date of Completion, and other relevant costs. The Company disagrees with the claim and is currently seeking legal advice in respect of the above proceedings and intends to defend its position. As of the date of this announcement, the Company received the statement of claim from the plaintiff and now is in the progress to prepare the statement of defence.

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 C1 to the Listing Rules for the Year.

COMPLIANCE WITH THE MODEL CODE

The Company has also adopted the Model Code set out in Appendix C3 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 Year.

REVIEW OF AUDITED ANNUAL RESULTS

The Audit Committee has reviewed and agreed with the management on the accounting principles, treatment and practices adopted by the Group and discussed the internal controls and financial reporting matters (including the review of the audited annual results and the consolidated annual financial statements) for the Year with the Directors.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group’s auditor, Zhonghui Anda CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year as approved by the Board on 27 March 2024. The work performed by Zhonghui Anda CPA Limited 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 opinion or no assurance has been expressed by Zhonghui Anda CPA Limited on this announcement.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the consolidated financial statements of the Group for the Year.

“DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As discussed in note 2.1 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared, the Group incurred loss of RMB471,040,000 and RMB178,627,000 respectively for two consecutive years ended 31 December 2023 and 2022, and the Group had net current liabilities of RMB1,770,582,000 and net liabilities of RMB1,466,122,000 as at 31 December 2023. As at 31 December 2023, the Group had bank and other borrowings, convertible bonds and bond payables totalling RMB1,964,083,000 repayable within one year or on demand. Out of which, as at 31 December 2023, the Group had overdue bank and other borrowings and bond payables of approximately RMB868,962,000 and RMB585,372,000, respectively.

Further, two bondholders of the 2015 Corporate Bond (as defined in note 39 to the consolidated financial statements) initiated an arbitration with the Group through the 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 of the 2015 Corporate Bond and accordingly, the equity interests of four subsidiaries have been put under the First Freezing Order. As at 31 December 2023, the total principal amount of RMB329,909,000 (2022: RMB329,909,000) and accrued bond interests of RMB120,014,000 (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.

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 of the 2016 Corporate Bond (defined in note 39 to the consolidated financial statements) 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 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 31 December 2023, the total principal amount of the 2016 Corporate Bond of RMB255,463,000 (2022: RMB255,463,000) and accrued bond interests of RMB101,253,000 (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 settle 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.

However, the Group maintained cash and cash equivalents of approximately RMB97,446,000 as at 31 December 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 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to uncertainties, including (i) whether the Group is able to complete the possible 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. We considered that the material uncertainties have been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.”

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 Year.

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 Company's issued Shares as required under the Listing Rules during the Year.

PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sfcegroup.com>). The annual report of the Company for the Year containing all the information as required by the Listing Rules will be disseminated to the Shareholders electronically (or in hard copy upon request) and made available for review on the aforementioned 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 C1 to the Listing Rules
“Directors(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollar, 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
“Jiangxi Shunfeng”	Jiangxi Shunfeng Photovoltaic Investment Co., Ltd.* (江西順風光電投資有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“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 C3 to the Listing Rules
“MW”	megawatt, which equals one million watts
“MWh”	megawatt hour
“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
“Shunfeng Photovoltaic Investments”	Shunfeng Photovoltaic Investments (China) Company Limited* (順風光電投資(中國)有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“we”, “our” or “us”	the Company or the Group (as the context requires)
“Year”	twelve months ended 31 December 2023

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

Hong Kong, 27 March 2024

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.

* *For identification purpose only*