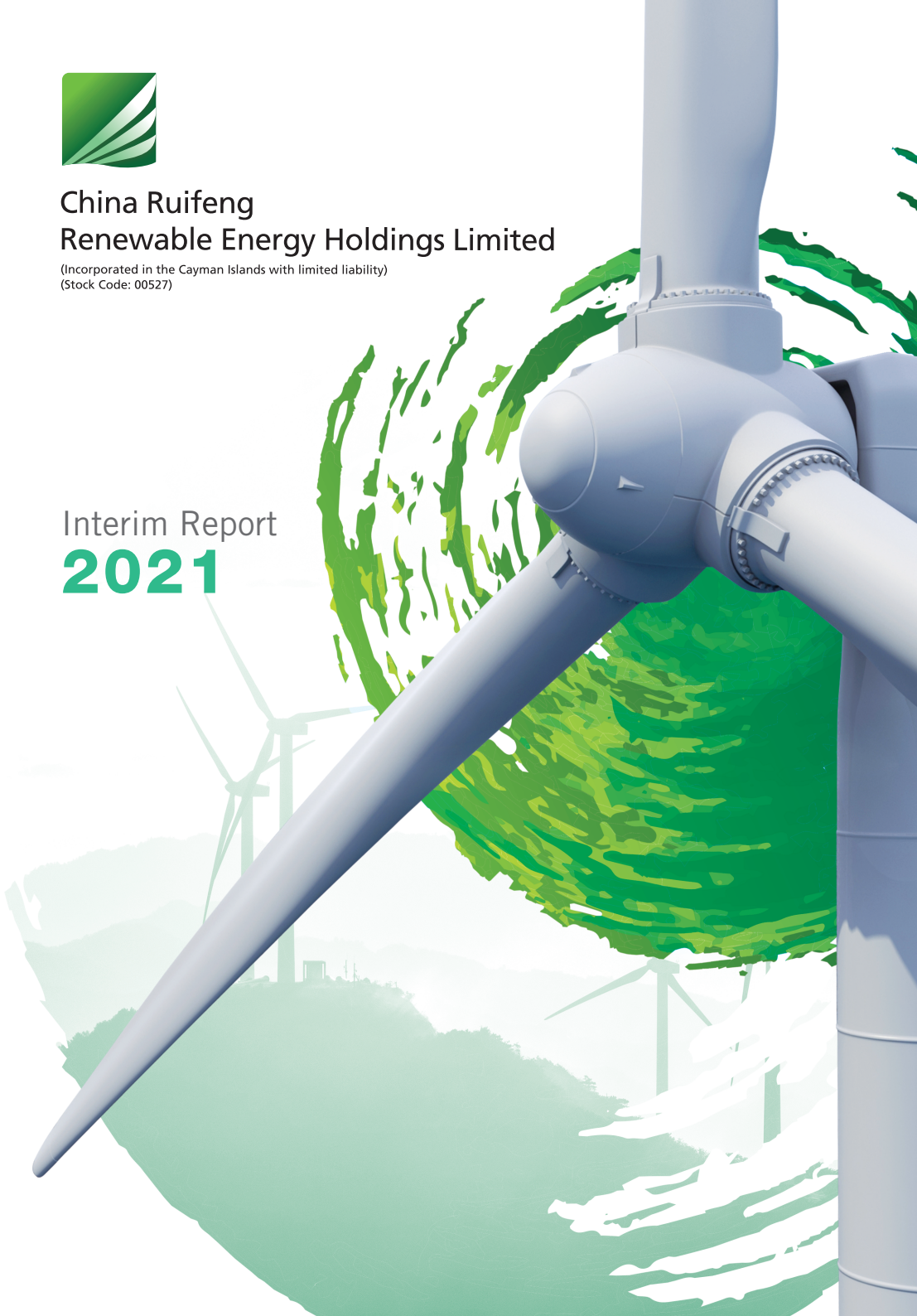




China Ruifeng Renewable Energy Holdings Limited

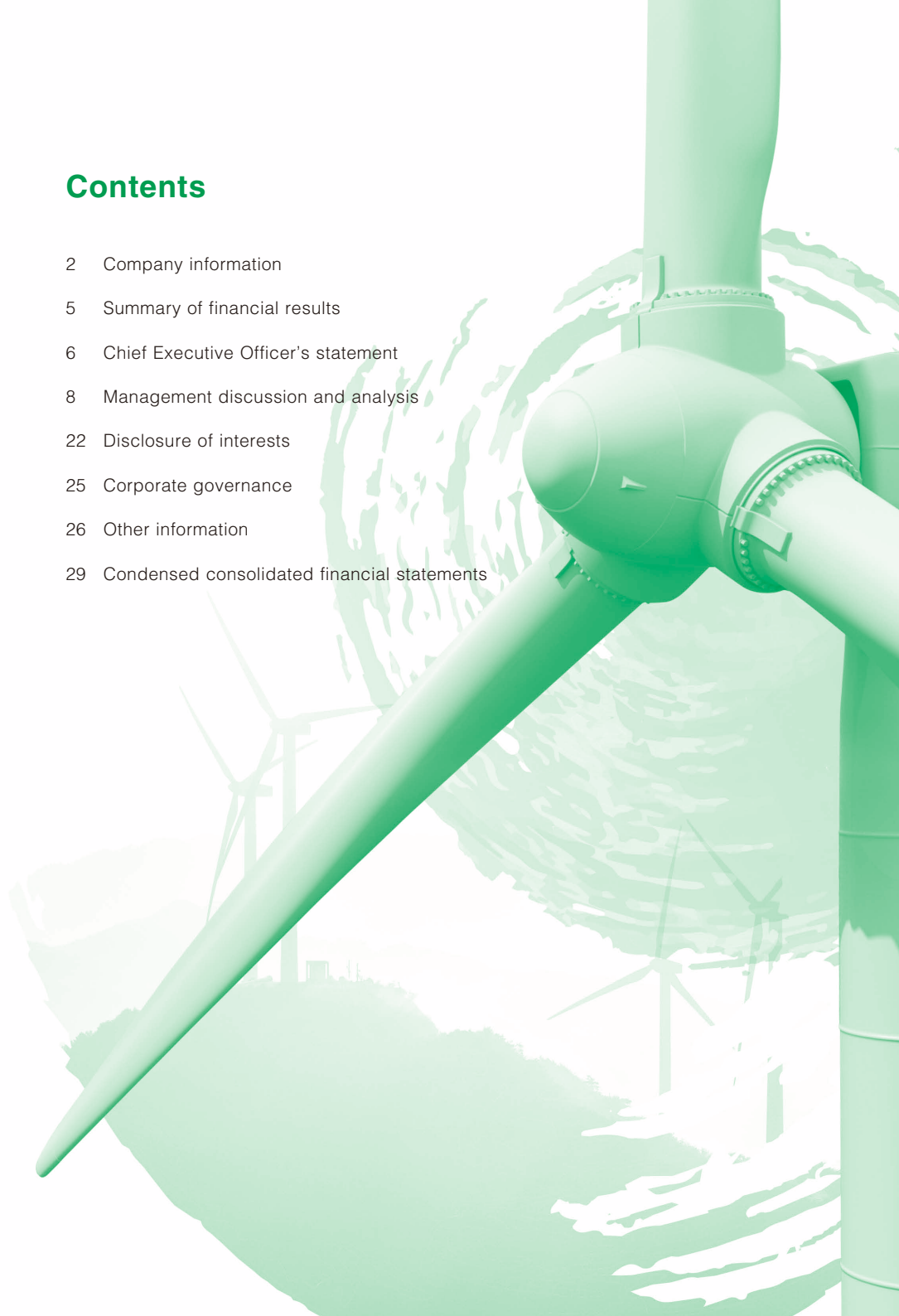
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00527)

Interim Report
2021



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Company Information

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00527

EXECUTIVE DIRECTORS

Mr. Zhang Zhixiang (*Chief Executive Officer*)
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qu Weidong
Ms. Hu Xiaolin
Mr. Jiang Senlin

AUDIT COMMITTEE

Mr. Jiang Senlin (*chairman of the Audit Committee*)
Mr. Qu Weidong
Ms. Hu Xiaolin

REMUNERATION COMMITTEE

Ms. Hu Xiaolin (*chairman of the Remuneration Committee*)
Mr. Zhang Zhixiang
Mr. Qu Weidong
Mr. Jiang Senlin

NOMINATION COMMITTEE

Mr. Qu Weidong (*chairman of the Nomination Committee*)
Mr. Zhang Zhixiang
Ms. Hu Xiaolin
Mr. Jiang Senlin

COMPANY SECRETARY

Ms. Wong Yuk Ki

Company Information

AUTHORISED REPRESENTATIVES

Mr. Zhang Zhixiang

Ms. Wong Yuk Ki

PRINCIPAL BANKERS

In Hong Kong:

Bank of China (Hong Kong) Limited

China Minsheng Banking Corporation Limited, Hong Kong Branch

China Construction Bank (Asia) Corporation Limited

Hang Seng Bank Limited

The Bank of East Asia Limited

In the People's Republic of China (the "PRC"):

Bank of China Limited

Agricultural Development Bank of China

Industrial and Commercial Bank of China Limited

Bank of Chengde Company Limited

China Construction Bank Corporation

Bank of Hebei Company Limited

REGISTERED OFFICE

Windward 3, Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1002, 10/F

Shui On Centre

6-8 Harbour Road, Wanchai

Hong Kong

COMPANY WEBSITE

www.c-ruifeng.com

Company Information

AUDITORS

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Unit 701, 7/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Summary of Financial Results

Below is a summary of the unaudited condensed consolidated financial results of China Ruifeng Renewable Energy Holdings Limited for the six months ended 30 June 2021 together with the comparative figures of the corresponding period in 2020:

	For the six months ended 30 June			Approximate change in percentage %
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	Change RMB'000	
Revenue	199,303	176,149	23,154	13
Gross profit	81,528	65,730	15,798	24
Profit from operations	72,449	62,578	9,871	16
Loss before taxation	(5,802)	(3,971)	1,831	46
Loss for the period	(18,762)	(18,067)	695	4
Attributable to:				
Equity shareholders of the Company	(30,862)	(28,513)	2,349	8
Non-controlling interests	12,100	10,446	1,654	16
Loss for the period	(18,762)	(18,067)	695	4
			As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Net cash (RMB'000) (note)			(1,443,372)	(1,362,795)
Net assets (RMB'000)			624,561	633,223
Liquidity ratio			144%	158%
Trade receivables turnover (number of days)			265	271
Trade payables turnover (number of days)			7	5
Net debt to equity ratio			231%	215%

Note:

Net cash: Cash and cash equivalents less borrowings.

Chief Executive Officer's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Ruifeng Renewable Energy Holdings Limited ("**Ruifeng Renew**" or the "**Company**", together with its subsidiaries referred to as the "**Group**"), I hereby present to the shareholders of the Company (the "**Shareholders**") the results of the Group for the six months ended 30 June 2021 (the "**Reporting Period**").

As a renewable energy enterprise specialised in wind power development and operation, during the first half of 2021, the Group is principally engaged in the business of wind farms operation and is continuing to search for investment opportunities in the energy sectors.

As the requirements on environmental and ecological protection become more stringent, China's clean energy consumption gains importance, the wind power and other new energy industries as the nation's seven strategic new industries will be getting more policy support after the 14th Five-year Plan takes the stage, China has been recognised as having the largest hydropower, wind power and solar power in terms of installed capacity in the world. In the face of the new circumstances and in the effort to capture the opportunities of the government's policy reforms, the Company will improve its development quality and efficiency to become a world-class renewable energy enterprise characterised by a large scale, high market share, great contribution to the society, strong profitability, solid competitiveness, and sound sustainability, with the objective of bringing continuous, stable and substantial returns to the Shareholders.

Chief Executive Officer's Statement

As the PRC government pointed out that it was vital for the energy structure to be optimised and adjusted as the transformation of energy development has reached the crucial strategic stage, the wind power industry, which spearheads the renewable energy industry is bound to receive increasing attention. The National Development and Reform Commission (the “**NDRC**”) and the National Energy Administration of China issued the “Energy Production and Consumption Revolution Strategy (2016–2030)” (《能源生產和消費革命戰略(2016-2030)》) in April 2017. The proportion of non-fossil fuel in the energy structure will reach 15% by 2020, 20% by 2030 and 50% by 2050, respectively, based on the proposed energy structure adjustment target. To adjust the energy structure and achieve the established targets of the proportion of non-fossil fuel, wind power will inevitably become one of the main energy substitutes and the main contributors to the increase in installed capacity of China.

In the future, the Group will consolidate its resources and continue to accelerate the development in wind power business. By fully leveraging the Group's wind farms, the Group will actively seek for development opportunities and strive for a solid foothold in the renewable energy industry in the near future.

On behalf of the Board, I would like to express my gratitude to the Shareholders, investors and business partners for their continuing care of and support to the Group. I would also like to thank the management team and all the staff for their contributions and dedications to the development of the Group. The Group is committed to bringing better returns to the Shareholders and investors through sound and pragmatic development strategies.

Zhang Zhixiang
Chief Executive Officer

Hong Kong, 30 August 2021

Management Discussion and Analysis

FINANCIAL REVIEW

During the Reporting Period, the Group was principally engaged in wind farms operation through its subsidiary, namely Hebei Hongsong Wind Power Co., Ltd. (“**Hongsong**”).

For the Reporting Period, the Group's revenue from its wind farms operation amounted to approximately RMB199,303,000 (for the six months ended 30 June 2020: approximately RMB176,149,000). Gross profit increased by approximately 24% to approximately RMB81,528,000 for the Reporting Period (for the six months ended 30 June 2020: approximately RMB65,730,000). The net loss for the Reporting Period was approximately RMB18,762,000 (for the six months ended 30 June 2020: net loss of approximately RMB18,067,000). The loss position for the Reporting Period was primarily attributable to the combined effect of, among others, (i) the recognition of share-based payment expenses; and (ii) the increase in finance costs.

Revenue

During the Reporting Period, the Group's revenue was mainly derived from the business of wind power generation of Hongsong which contributed a stable source of revenue to the Group. The Group's operating bases for the business of wind power generation are mainly located in Chengde City of Hebei Province and Inner Mongolia Autonomous Region in PRC.

Revenue from wind farms operation for the Reporting Period was approximately RMB199,303,000, representing an increase of approximately 13% as compared with approximately RMB176,149,000 of the corresponding period of 2020. The increase was mainly due to the increase in volume of electricity generated as well as the sales of electricity rebounded from the impact of the COVID-19 pandemic.

Cost of Sales

Cost of sales mainly included the cost of raw materials, staff costs, depreciation, water, electricity, gas and other ancillary materials for wind farms operation. Cost of sales for the Reporting Period was approximately RMB117,775,000 (for the six months ended 30 June 2020: approximately RMB110,419,000), representing approximately 59% of the Group's revenue from wind farms operation, as compared to approximately 63% for the corresponding period of 2020.

Management Discussion and Analysis

Gross Profit

Gross profit from wind farms operation for the Reporting Period increased by approximately 24% to approximately RMB81,528,000 (for the six months ended 30 June 2020: gross profit of approximately RMB65,730,000), which was mainly due to the increase in sales of electricity while cost of sales remained relatively stable.

Other Revenue and Net Income

Other revenue and net income from wind farms operation mainly comprised (i) the government subsidy income related to value-added tax refund (for the Reporting Period: approximately RMB11,862,000; for the six months ended 30 June 2020: approximately RMB11,077,000); and (ii) rental income from operating lease of premises (for the Reporting Period: approximately RMB2,301,000; for the six months ended 30 June 2020: approximately RMB1,825,000).

Administrative Expenses

Administrative expenses for the Reporting Period mainly included salaries and welfare expenses, share-based payment expenses, professional fees, entertainment expenses, travelling expenses, insurance expenses and other taxation expenses. It increased by approximately 61% to approximately RMB26,438,000 for the Reporting Period when compared with approximately RMB16,414,000 for the corresponding period of 2020. The increase was mainly due to the recognition of share-based payment expenses amounted to RMB10,300,000 (for the six months ended 30 June 2020: Nil) during the Reporting Period.

Finance Costs

Finance costs for the Reporting Period referred to interest expenses of the Group's borrowings including bank loans and other loans obtained, corporate bonds, notes and convertible bonds issued by the Group. It amounted to approximately RMB77,993,000 for the Reporting Period (for the six months ended 30 June 2020: approximately RMB67,848,000). The increase was mainly due to increase in interest expenses incurred for other loans obtained by Hongsong.

Management Discussion and Analysis

Taxation

Taxation slightly decreased from approximately RMB14,096,000 for the six months ended 30 June 2020 to approximately RMB12,960,000 for the Reporting Period, which is due to the presence of refund of withholding tax of Hongsong from PRC tax authority.

Net Loss

The net loss for the Reporting Period was approximately RMB18,762,000 (for the six months ended 30 June 2020: net loss of approximately RMB18,067,000). The loss position for the Reporting Period was primarily attributable to the combined effect of, among others, (i) the recognition of share-based payment expenses; and (ii) the increase in finance costs.

Share Capital

As at 30 June 2021, the total number of issued shares capital of the Company comprised 1,979,140,800 ordinary shares of HK\$0.01 each (As at 31 December 2020: 1,979,140,800 ordinary shares of HK\$0.01 each).

Liquidity and Financial Resources

The cash and bank balances as at 30 June 2021 and 31 December 2020 amounted to approximately RMB443,099,000 (mainly denominated in Renminbi (“**RMB**”) and Hong Kong dollar (“**HK\$**”) of approximately RMB441,586,000 and HK\$1,819,000), and approximately RMB858,837,000, respectively.

Total borrowings of the Group as at 30 June 2021 amounted to approximately RMB1,886,471,000 representing a decrease of approximately RMB335,161,000 when compared with approximately RMB2,221,632,000 as at 31 December 2020. The decrease was mainly due to repayments of notes, bank loans and other loans during the Reporting Period.

Management Discussion and Analysis

The Group repaid its debts mainly through steady recurrent cash-flows generated by its operations. The Group's gearing ratio as at 30 June 2021 was approximately 0.77 which was comparable to approximately 0.80 as at 31 December 2020. That ratio was calculated by dividing the Group's total liabilities by its total assets. During the Reporting Period, all of the Group's borrowings were settled in RMB and HK\$ and all of the Group's income was denominated in RMB. Interest bearing borrowings were approximately RMB1,886,471,000 as at 30 June 2021 (31 December 2020: approximately RMB2,221,632,000). Among the interest bearing borrowings of the Group, approximately RMB581,821,000 were fixed rate loans and approximately RMB1,304,650,000 were variable rate loans. The Group had not engaged in any hedging facility against interest rate fluctuations for the Reporting Period and up to the date of this report, as the Board considered that the cost of any hedging policy would be higher than the potential risk of the costs being incurred from interest rate fluctuations in individual transactions.

Exposure to fluctuation in exchange rates

The Group has minimal exposure to foreign currency risk as most of its business, transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise, and appropriate instrument be available.

Issuance of Corporate Bonds

During the Reporting Period, the Company did not issue additional non-listing corporate bonds (the "**Corporate Bonds**") to investors. Corporate Bonds with principal amount of HK\$100,000 were matured and redeemed during the Reporting Period (30 June 2020: no additional Corporate Bonds were issued, and Corporate Bonds with principal amount of HK\$1,000,000 were matured and redeemed).

As at 30 June 2021 and 31 December 2020, Corporate Bonds with principal amount of approximately HK\$176,136,000 and HK\$176,236,000 had been issued and had not been repaid respectively. For details, please refer to the announcement of the Company dated 10 July 2014 and 28 April 2015.

Management Discussion and Analysis

Extension of Notes (previously known as Convertible Notes)

On 26 May 2016, the Company entered into a placing agreement (the “**Placing Agreement**”) with Get Nice Securities Limited (the “**Placing Agent**”) pursuant to which the Placing Agent has conditionally agreed to procure the placee(s) on a best effort basis during the placing period to subscribe for the convertible notes to be issued by the Company of up to an aggregate principal amount of HK\$171,600,000 due 2017, with the conversion rights to convert the outstanding principal amount of the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$0.65 per conversion share (the “**Convertible Notes**”).

Assuming full conversion of the Convertible Notes, a total of 264,000,000 shares of the Company would be allotted and issued, representing (i) approximately 14.67% of the issued share capital of the Company as at the date of the Placing Agreement; and (ii) approximately 12.80% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares upon full conversion of the Convertible Notes.

On 15 June 2016, the Convertible Notes in the aggregate principal amount of HK\$171,600,000 were issued by the Company in accordance with the terms of the Placing Agreement. The net proceeds from the issue of the Convertible Notes, after deducting the Placing Agent’s commission and other related expenses payable by the Company, amounted to approximately HK\$167,900,000.

On 12 December 2017, the Company and all the holders of the Convertible Notes entered into a deed of amendment (the “**Amendment Deed**”) to extend the maturity date of the Convertible Notes from 15 December 2017 to 15 June 2019. Save for the extension of the maturity date, all other terms and conditions of the Convertible Notes remained unchanged. The Amendment Deed has become unconditional on 15 December 2017 upon approval being received from the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Management Discussion and Analysis

On 22 August 2019, the Company and all the holders of the Convertible Notes entered into second deed of amendment (the “**Second Amendment Deed**”) to (i) further extend the maturity date (as extended by the Amendment Deed) from 15 June 2019 to 15 December 2019; (ii) amend the interest rate of the Convertible Notes from 8% per annum to 10% per annum with effect from 15 June 2019; and (iii) require the Company to pay on the date of the Second Amendment Deed interest accrued and to be accrued from (and including) 15 June 2019 to (but excluding) 15 December 2019. Save for the aforesaid, all other terms and conditions of the Convertible Notes remain unchanged. The noteholders have irrevocably and unconditionally agreed and undertaken to waive any and all events of default that may have arisen on or prior to the date of the Second Amendment Deed. The Second Amendment Deed has become unconditional on 23 August 2019 upon approval being received from the Stock Exchange.

On 10 February 2020, the Company and all the noteholders entered into third deeds of amendment (the “**Third Amendment Deeds**”) to (i) remove the mechanism under which the noteholders are entitled to convert the outstanding principal amount of the Convertible Notes into conversion shares; (ii) further extend the maturity date (as extended by the Second Amendment Deed) from 15 December 2019 to 15 May 2020; (iii) amend the interest rate of the Convertible Notes from 10% per annum to 12% per annum with effect from 15 December 2019; and (iv) require the Company to pay in advance interest accrued and to be accrued from (and including) 15 December 2019 to (but excluding) 15 May 2020. Save for the aforesaid, all other terms and conditions of the Convertible Notes remain unchanged. The noteholders have irrevocably and unconditionally agreed and undertaken to waive any and all events of default that may have arisen on or prior to the date of the Third Amendment Deeds. The Third Amendment Deeds has become unconditional on 12 February 2020 upon approval being received from the Stock Exchange. The Convertible Notes have since then been reclassified as notes (the “**Notes**”).

During the Reporting Period, the Notes with principal amount of HK\$52,600,000 has been repaid. The Company is currently in negotiation with the noteholders regarding possible extension of maturity date and amendment to the other terms and conditions of the remaining balance of the Notes.

As at 30 June 2021 and 31 December 2020, principal amount of HK\$108,200,000 and HK\$160,800,000 respectively of the Notes remained outstanding.

Management Discussion and Analysis

Further details are set out in the announcements of the Company dated 26 May 2016, 15 June 2016, 12 December 2017, 19 December 2017, 22 August 2019, 23 August 2019, 10 February 2020 and 12 February 2020 respectively.

Issuance of Convertible Bonds

On 31 December 2018, the Company, Filled Converge Limited (“**Filled Converge**”) and Well Foundation Company Limited (“**Well Foundation**”) entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Company conditionally agreed to issue and (i) Filled Converge conditionally agreed to subscribe for the convertible bonds (the “**Convertible Bonds**”) in the principal amount of HK\$294,183,000 and (ii) Well Foundation conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$19,612,000. The Convertible Bonds are in aggregation in the amount of HK\$313,795,000 due at 2021 and extendable to 2022 at an interest rate of 8% per annum, with the conversion rights to convert the outstanding principal amount of the Convertible Bonds into the shares of the Company at an initial conversion price of HK\$0.485 per conversion share.

Assuming full conversion of the Convertible Bonds, a total of 647,000,000 new shares of the Company, being the conversion shares, would be allotted and issued, representing (i) approximately 35.96% of the issued share capital of the Company as at the date of the subscription agreement; and (ii) approximately 26.45% of the issued share capital of the Company as at the date of the Subscription Agreement as enlarged by the allotment and issue of the conversion shares upon full conversion of the Convertible Bonds.

With effect from 3 January 2020, the conversion price of the Convertible Bonds was adjusted from HK\$0.485 per conversion share to HK\$0.475 per conversion share, subsequent to the completion of placing of new shares on 3 January 2020. The Convertible Bonds entitle the holders to convert into 660,621,052 conversion shares after the adjustment to conversion price.

Management Discussion and Analysis

On 10 September 2020, the Company and the holders of the Convertible Bonds entered into the supplemental deeds regarding proposed amendments to the terms and conditions of the Subscription Agreement, including (i) amend the interest rates of the Convertible Bonds from 8% per annum to 10% per annum with effect when all the conditions precedent to the supplemental deeds are fulfilled/waived; (ii) the conversion price shall be adjusted from HK\$0.475 to HK\$0.27 per conversion share; and (iii) insertion of new clause in relation to the mechanism of a deposit of RMB300 million (the “**Supplemental Deeds**”). The proposed amendments shall be approved by the Stock Exchange and also the approval from the shareholders shall be obtained at the extraordinary general meeting. The Supplemental Deeds were lapsed on 15 December 2020 as the conditions precedent could not be fulfilled/waived.

On 29 January 2021, the Company and the holders of the Convertible Bonds entered into the supplemental agreements regarding proposed amendments to the terms and conditions of the Subscription Agreement, including (i) amend the interest rates of the Convertible Bonds from 8% per annum to 10% per annum with effect when all the conditions precedent to the supplemental agreements are fulfilled/waived; (ii) the conversion price shall be adjusted from HK\$0.475 to HK\$0.190 per conversion share; (iii) insertion of new clause in relation to the mechanism of a deposit of RMB300 million and (iv) the conditions subsequent to the Subscription Agreement shall be deleted in its entirety and no share charge or equity pledge exists (the “**Supplemental Agreements**”). The proposed amendments shall be approved by the Stock Exchange and also the approval from the shareholders shall be obtained at the extraordinary general meeting.

On 24 March 2021, the Company and the holders of the Convertible Bonds entered into the extension agreements regarding i) to extend the maturity date of the Convertible Bonds for one year from 25 March 2021 to 25 March 2022; and ii) extend the long stop date of the Supplemental Agreements to 24 April 2021, with all the terms and conditions of the Convertible Bonds and Supplemental Agreements remain unchanged. The proposed amendments to the maturity date of the Convertible Bonds shall be approved by the Stock Exchange and also the approval from the shareholders shall be obtained at the extraordinary general meeting. The Supplemental Agreements were lapsed on 24 April 2021 as the conditions precedent could not be fulfilled/waived.

Management Discussion and Analysis

The Company and the holders of the Convertible Bonds are currently in negotiation for a new amendment agreement on the terms of the Convertible Bonds.

None of the rights attached to the Convertible Bonds has been exercised and no conversion shares has been allotted or issued from the conversion of the Convertible Bonds during the Reporting Period.

Further details of the issuance of Convertible Bonds and proposed amendments to the terms and conditions of the Subscription Agreement of the Convertible Bonds are set out in the announcements of the Company dated 31 December 2018, 1 February 2019, 20 February 2019, 25 March 2019, 20 June 2019, 30 March 2020, 10 September 2020, 15 October 2020, 30 October 2020, 13 November 2020, 27 November 2020, 11 December 2020, 31 December 2020, 15 January 2021, 29 January 2021, 22 February 2021, 19 March 2021, 24 March 2021, 26 April 2021, 31 May 2021, 29 June 2021 and 30 July 2021 and the circular of the Company dated 30 January 2019.

Capital Raising

On 3 March 2021, the Company entered into the warrant placing agreement with the sole placing agent pursuant to which the sole placing agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to 395,828,160 warrants at a placing price of HK\$0.015 per warrant under specific mandate.

The subscription rights attaching to the warrants will be exercisable within eighteen months from the date of the issue of the warrants. Each warrant carries the right to subscribe for one warrant share, assuming full conversion of the subscription rights attaching to the 395,828,160 warrants at the amended warrant exercise price of HK\$0.22 per warrant share, a maximum of 395,828,160 warrant shares will be allotted and issued, representing approximately 20.00% of the existing issued share capital of the Company as at the date of the warrant placing agreement; and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the all warrant shares.

Management Discussion and Analysis

The placing of warrants was completed on 5 August 2021. An aggregate of 395,000,000 warrants have been fully placed to not less than six places at the placing price of HK\$0.015 per warrant. The actual net proceeds from the placing, after deduction of the placing agent's commission for the placing and other related expenses, amounted to approximately HK\$5,600,000 which will be used for payment of salaries and emoluments.

Assuming full exercise of the subscription rights attaching to the 395,000,000 warrants at the amended warrant exercise price of HK\$0.22 per warrant share, it is expected that an additional of approximately HK\$86,900,000 will be raised. The Company intends to apply (i) approximately HK\$37,000,000 for general working capital purpose including interest payment of the Group's borrowings, payment of legal and professional fees and payment of rental expenses and management fees; and (ii) approximately HK\$49,900,000 for future development and potential acquisition of the Group as and when opportunities arise.

None of the rights attached to the warrants has been exercised and no warrant shares has been allotted or issued from the conversion of the warrants up to the date of this report.

Further details of the placing of warrant are set out in the announcements of the Company dated 3 March 2021, 16 April 2021, 18 May 2021, 31 May 2021, 4 June 2021, 23 July 2021, 30 July 2021, 5 August 2021 and the circular of the Company dated 8 July 2021.

Save as disclosed in this report, the Group did not have other capital raising activity during the Reporting Period.

Share Option Scheme

On 29 January 2021, 179,900,000 share options were granted by the Company. Further details are set out in the section headed "Share Option Scheme" and also the announcement of the Company dated 29 January 2021.

Management Discussion and Analysis

Sale and Leaseback Transactions

On 29 November 2019, Huaneng Tiancheng Financial Leasing Co., Ltd. (華能天成融資租賃有限公司) (the “**Lessor**”) and Hongsong, an indirectly non wholly-owned subsidiary of the Company (the “**Lessee**”), entered into a series of sale and leaseback agreements (the “**Sale and Leaseback Agreements**”), pursuant to which, among other things, the Lessor agreed to purchase from the Lessee certain wind power generators, ancillaries, buildings and land use rights (the “**Leased Assets**”) of the operation of a wind farm in Chengde City, Hebei Province, the PRC, at an aggregate consideration of RMB1,800,000,000, which shall be leased back to the Lessee with lease periods range from 5 to 13 years as stipulated in each of the Sale and Leaseback Agreements. Upon expiry of the lease term of each of the Sale and Leaseback Agreements, the Lessee can purchase the Leased Assets at a consideration of RMB20,000. The total purchase consideration for the Leased Assets shall be RMB100,000 in aggregate. The total consideration of the Leased Assets of RMB1,800,000,000 represents a premium of approximately 9.46% over the appraised value of the Leased Assets of approximately RMB1,644,500,000 as at 31 October 2019 as appraised by an independent valuer.

During the lease periods of the Sale and Leaseback Agreements, the ownership of the Leased Assets will be vested in the Lessor. The Lessee shall have the right to possess and use the Leased Assets. In accordance with the requirements of HKFRSs, the sale and leaseback transactions shall be accounted for as a financing transaction and therefore would not give rise to any gain or loss, or reduction in value of the Leased Assets. The Sale and Leaseback Agreements was approved, confirmed and ratified at the extraordinary general meeting held on 13 January 2020. Partial consideration of RMB1,260,000,000 had been paid by the Lessor, and the Lessee is in negotiation with the Lessor for the payment of the remaining balances of the consideration.

Further details are set out in the announcements of the Company dated 29 November 2019 and 28 December 2020 and the circular of the Company dated 24 December 2019.

Material Acquisition and Disposal

Save as disclosed in this report, there were no material acquisition and disposal of subsidiaries and associated companies by the Group for the Reporting Period.

Management Discussion and Analysis

Pledge of Assets

As at 30 June 2021, the Group has pledged certain property, plant and equipment and certain leasehold land including in right-of-use assets with a carrying value of approximately RMB974,984,000 in total (31 December 2020: approximately RMB1,043,926,000), and trade and other receivables with a carrying value of approximately RMB333,299,000 (31 December 2020: approximately RMB289,718,000) as securities for the borrowings obtained by the Group. As at 30 June 2021, the issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2021, the Group had approximately 125 full-time employees (31 December 2020: approximately 125 employees) in Hong Kong and the PRC in respect of the Group's operations. For the Reporting Period, the relevant staff costs (including Directors' remuneration) were approximately RMB31,230,000 (for the six months ended 30 June 2020: approximately RMB19,747,000). The Group's remuneration and bonus packages were given based on the performance of its employees in accordance with the general standards of the Group's salary policies.

Events after the Reporting Period

Save as disclosed in this report, the Group did not have any significant events since the end of the Reporting Period and up to the date of this report.

Management Discussion and Analysis

FUTURE PROSPECTS

The PRC government has unswervingly implemented the new concept of green development. By taking green development as a guide, China would actively build a modern economic system, accelerate the development of energy-saving and environmental protection industries, vigorously develop clean energy, improve the level of utilization of clean energy and promote comprehensive conservation and recycling of resources.

The PRC Government has provided support to the development of wind power industry in various aspects, and with initial success as exemplified in the increasing shares of wind power in total energy consumption in different regions. The development of wind power is of great significance in adjusting the country's energy structure. Given the serious problem of smog in the PRC, the development of clean energy has become an inevitable trend, in which wind power will serve as one of the most critical segments in the development of clean energy.

With the implementation of COVID-19 pandemic prevention and control measures, the overall momentum of economic development in the PRC remains stable and positive in the longrun with power generation and consumption continue to maintain rapid growth.

Looking ahead, the Group will continue to strengthen its wind farms operation business. With the advantage of a secured development environment in general and the increased level of attention to wind power by the public, the Company is expected to have a bright development prospect.

In respect of the business growth of the Group in the coming year, the Group will continue to focus its resources on the development and operation of wind farms and is determined to become one of the pillars of the renewable energy industry in northern China. The Group will continue to seek opportunities to develop its renewable energy business in other new areas of clean energy apart from wind power by way of cooperative development and acquisitions. The Group will continue to identify and acquire mature power plants with promising development prospects, in order to strengthen the existing wind farms operation and maintenance business in northern China and gradually extend the business to the surrounding areas as well as enhance the interaction between other sectors of the industry. The Group will consider other possible opportunities of mergers and acquisitions.

Management Discussion and Analysis

The National Energy Administration of China stated that China would accelerate the development of renewable energy during the 14th Five-Year Plan period for 2021 to 2025, with renewable power accounting for over half of total installed capacity by 2025. The central government of the PRC proposed to achieve peak carbon emissions by 2030 and carbon neutrality by 2060.

In the long-run, the Group will focus its effort on the development and optimisation of existing renewable energy resources. Paralleled to the expansion of wind farm's operational scale and the enhancement of efficiency, the Group will integrate the advantages of all cooperating parties and its own in order to explore more development opportunities in other new areas of clean energy and further consolidate the Group's position in the industry of renewable energy. During the course of business integration and resources integration, possible synergistic opportunities among different business segments will be explored for their expansions and growth in revenues and profits. The Group is committed to becoming a renewable energy supplier and integrated service provider with relatively strong competitiveness, establishing a stable and comprehensive foundation for the long term growth of the Group, creating more value for the society, and seeking higher returns for the Company's Shareholders and investors.

Disclosure of Interests

(A) INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

As at 30 June 2021, save as disclosed below, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors or chief executives of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as contained in Appendix 10 to the Rules Governing the Listing of Securities (the “Listing Rules”):

Long positions in shares and underlying shares of the Company

Name of Director	Capacity	Number of shares/underlying shares			Total	Approximate percentage of shareholdings (Note 4)
		Corporate interests	Convertible Bonds	Share options (Note 1)		
Zhang Zhixiang (“Mr. Zhang”)	Beneficial owner/ Interest of controlled corporation	441,610,325 (Note 2)	619,332,631 (Note 3)	19,700,000	1,080,642,956	54.60%
Mr. Ning Zhongzhi	Beneficial owner	—	—	19,700,000	19,700,000	1.00%
Mr. Li Tian Hai	Beneficial owner	—	—	8,000,000	8,000,000	0.40%
Mr. Peng Ziwei	Beneficial owner	—	—	8,000,000	8,000,000	0.40%
Mr. Qu Weidong	Beneficial owner	—	—	5,200,000	5,200,000	0.26%
Ms. Hu Xiaolin	Beneficial owner	—	—	5,200,000	5,200,000	0.26%
Mr. Jiang Senlin	Beneficial owner	—	—	5,200,000	5,200,000	0.26%

Disclosure of Interests

Notes:

1. These shares were the shares which would be allotted and issued upon exercise in full of the share options granted to such Director under the share option scheme of the Company, details of which are provided in the section headed "Share Option Scheme" in this report.
2. Mr. Zhang is the beneficial owner of the entire issued shares of Diamond Era Holdings Limited ("**Diamond Era**"). As at 30 June 2021, Diamond Era was interested in 441,610,325 shares. Mr. Zhang is deemed, or taken to be, interested in the shares of the Company in which Diamond Era is interested for the purpose of the SFO.
3. Filled Converge is wholly-owned by Mr. Zhang which holds the Convertible Bonds issued by the Company on 25 March 2019 in the principal amount of HK\$294,183,000. Assuming the conversion right of the Convertible Bonds were exercised in full, the total of 619,332,631 new shares will be issued to Filled Converge, representing approximately 23.46% of total issued shares assuming full exercise of the conversion rights attached to all Convertible Bonds issued by the Company as at 30 June 2021.
4. Based on the total number of issued shares (i.e. 1,979,140,800) of the Company as at 30 June 2021.

Disclosure of Interests

(B) INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2021, save as disclosed below, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Number of Shares & Underlying Shares held/ interested	Nature of interest	Position	Approximate percentage of shareholdings <i>(Note 3)</i>
Diamond Era <i>(Note 1)</i>	441,610,325	Beneficial owner	Long	22.31%
Filled Converge <i>(Note 2)</i>	619,332,631	Beneficial owner	Long	31.29%

Notes:

1. As at 30 June 2021, Diamond Era was interested in 441,610,325 shares. Diamond Era is wholly-owned by Mr. Zhang, an executive Director.
2. Filled Converge is wholly-owned by Mr. Zhang which holds the Convertible Bonds issued by the Company on 25 March 2019 in the principal amount of HK\$294,183,000. Assuming the conversion right of the Convertible Bonds were exercised in full, the total of 619,332,631 new shares will be issued to Filled Converge, representing approximately 23.46% of total issued shares assuming full exercise of the conversion rights attached to all Convertible Bonds issued by the Company as at 30 June 2021.
3. Based on the total number of issued shares (i.e. 1,979,140,800) of the Company as at 30 June 2021.

Corporate Governance

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules on the Stock Exchange throughout the Reporting Period except for the deviation as follows:

Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, there has been no chairman of the Board (the “**Chairman**”) in the Company. Mr. Zhang acted as the Chief Executive Officer of the Company, and is responsible for all day-to-day corporate management matters. The Board does not have the intention to fill the position of the Chairman at present and believes that the absence of the Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of the Chairman. Appointment will be made to fill the post to comply with code provision A.2.1 of the CG Code if necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 to the Listing Rules. The Company had made specific enquiries with all the Directors and all the Directors confirmed that they had strictly complied with the required standard set out in the Model Code and the aforesaid code of conduct adopted by the Company for the Reporting Period.

Senior management and those staffs who are more likely to be in possession of unpublished inside information or other relevant information in relation to the Group have adopted rules based on the Model Code. These senior management and staff have been individually notified and advised about the Model Code by the Company. No incident of non-compliance of the Model Code by relevant senior management members was noted by the Company during the Reporting Period.

Other Information

INTERIM DIVIDEND

The Directors do not recommend any payment of interim dividend for the Reporting Period (for the six months ended 30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the Shareholders on 1 June 2015, a share option scheme (the “**Scheme**”) was adopted by the Company to provide incentives and rewards to eligible persons for their contributions or potential contributions to the Group. The Scheme shall be valid for 10 years from 1 June 2015 and the particulars of the Scheme were set out in the 2020 Annual Report of the Company.

The Company had refreshed 10% scheme mandate limit for granting share options under the Scheme with the Shareholders’ approval on the annual general meeting held on 1 June 2017, a maximum of 179,914,080 share options could be granted and the maximum number of shares to be issued upon full exercise of the share options will be 179,914,080 shares, being 10.00% of the issued share capital of the Company as at 1 June 2017.

During the Reporting Period, a total of 179,900,000 share options were granted on 29 January 2021, with details show on below table for the share options granted to the Directors and employees under the Scheme during the six months ended 30 June 2021:

Other Information

Name and category of participant	Number of share options				As at 30 June 2021	Grant date	Exercise period (Note)	Exercise price per share
	As at 1 January 2021	Granted during the period	Cancelled/lapsed during the period	Exercised during the period				
Directors								
Mr. Zhang Zhixiang	—	19,700,000	—	—	19,700,000	29 January 2021	4 years commencing from 29 January 2021	HK\$0.18
Mr. Ning Zhongzhi	—	19,700,000	—	—	19,700,000	29 January 2021	4 years commencing from 29 January 2021	HK\$0.18
Mr. Li Tian Hai	—	8,000,000	—	—	8,000,000	29 January 2021	4 years commencing from 29 January 2021	HK\$0.18
Mr. Peng Ziwei	—	8,000,000	—	—	8,000,000	29 January 2021	4 years commencing from 29 January 2021	HK\$0.18
Mr. Qu Weidong	—	5,200,000	—	—	5,200,000	29 January 2021	4 years commencing from 29 January 2021	HK\$0.18
Ms. Hu Xiaolin	—	5,200,000	—	—	5,200,000	29 January 2021	4 years commencing from 29 January 2021	HK\$0.18
Mr. Jiang Senlin	—	5,200,000	—	—	5,200,000	29 January 2021	4 years commencing from 29 January 2021	HK\$0.18
Employees								
In aggregate	—	108,900,000	—	—	108,900,000	29 January 2021	4 years commencing from 29 January 2021	HK\$0.18
Total	—	179,900,000	—	—	179,900,000			

Note: All share options granted do not have any vesting period.

No share option has been exercised from the date of grant up to 30 June 2021.

As at the date of this report, the total number of outstanding share options available for grant under the Scheme was 197,914,080, which represented 10.00% of the issued share capital of the Company, as the Company had refreshed 10% scheme mandate limit for granting share options under the Scheme with the Shareholders' approval on the annual general meeting held on 29 July 2021.

Other Information

Save as disclosed in this report, at no time during the six months ended 30 June 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public for the Reporting Period and up to the date of this report.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee which is comprised of Ms. Hu Xiaolin (chairman), Mr. Zhang Zhixiang, Mr. Qu Weidong and Mr. Jiang Senlin as at the date of this report.

NOMINATION COMMITTEE

The Company has set up a nomination committee which is comprised of Mr. Qu Weidong (chairman), Mr. Zhang Zhixiang, Ms. Hu Xiaolin and Mr. Jiang Senlin as at the date of this report.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") which comprises Mr. Jiang Senlin (chairman), Mr. Qu Weidong and Ms. Hu Xiaolin as at the date of this report, all being independent non-executive Directors. The Audit Committee has reviewed the unaudited financial results of the Group for the Reporting Period. The Audit Committee has also discussed matters such as internal control and risk management adopted by the Group and the financial reporting matters of the Group for the Reporting Period.

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Note	For the six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3	199,303	176,149
Cost of sales		(117,775)	(110,419)
Gross profit		81,528	65,730
Interest income		3,087	146
Other revenue and net income		14,272	13,116
Administrative expenses		(26,438)	(16,414)
Profit from operations		72,449	62,578
Finance costs	4	(77,993)	(67,848)
Share of profits of an associate		—	2,181
Share of losses of a joint venture		(258)	(882)
Loss before taxation	4	(5,802)	(3,971)
Income tax	5	(12,960)	(14,096)
Loss for the period		(18,762)	(18,067)
Attributable to:			
Equity shareholders of the Company		(30,862)	(28,513)
Non-controlling interests		12,100	10,446
Loss for the period		(18,762)	(18,067)
Basic and diluted loss per share attributable to the equity shareholders of the Company during the period (RMB)	7	(0.016)	(0.014)

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Loss for the period	(18,762)	(18,067)
Other comprehensive income/(expense)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC	9,874	(17,492)
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company	(2,878)	6,936
Other comprehensive income/(expense) for the period (net of tax)	6,996	(10,556)
Total comprehensive expense for the period	(11,766)	(28,623)
Total comprehensive (expense)/income attributable to:		
Equity shareholders of the Company	(23,866)	(39,069)
Non-controlling interests	12,100	10,446
Total comprehensive expense for the period	(11,766)	(28,623)

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	1,169,356	1,246,848
Interest in a joint venture	10	2,703	2,961
Right-of-use assets		9,412	9,610
Financial assets at fair value through other comprehensive income		8,165	8,165
Financial assets at fair value through profit or loss		5,225	5,225
Prepayments and other receivables	12	164,061	155,381
		1,358,922	1,428,190
Current assets			
Financial assets at fair value through profit or loss		2,057	2,100
Inventories		618	618
Trade receivables	11	308,616	273,735
Prepayments and other receivables	12	591,198	535,307
Tax recoverable		130	—
Cash and cash equivalents		443,099	858,837
		1,345,718	1,670,597
Current liabilities			
Trade and other payables	13	175,471	207,837
Borrowings	14	759,091	835,562
Current taxation		2,313	16,901
		936,875	1,060,300

Condensed Consolidated Financial Statements

		As at 30 June 2021	As at 31 December 2020
	<i>Note</i>	RMB'000 (unaudited)	<i>RMB'000 (audited)</i>
Net current assets		408,843	610,297
Total assets less current liabilities		1,767,765	2,038,487
Non-current liabilities			
Borrowings	14	1,127,380	1,386,070
Deferred tax liabilities		15,824	19,194
		1,143,204	1,405,264
Net assets		624,561	633,223
Capital and reserves			
Share capital	15	17,286	17,286
Reserves		371,154	384,720
Total equity attributable to equity shareholders of the Company		388,440	402,006
Non-controlling interests		236,121	231,217
Total equity		624,561	633,223

Approved and authorised for issue by the board of Directors on 30 August 2021.

Zhang Zhixiang
Director

Ning Zhongzhi
Director

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserves	Translation reserve	Share-based payment reserve	Convertible notes/bonds reserve	Fair value reserve	Accumulated losses	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020 (audited)	15,677	1,454,336	75,528	(15,555)	—	17,047	901	(1,008,292)	539,642	250,711	790,353	
(Loss)/profit for the period	—	—	—	—	—	—	—	(28,513)	(28,513)	10,446	(18,067)	
Other comprehensive expense	—	—	—	(10,556)	—	—	—	—	(10,556)	—	(10,556)	
Total comprehensive (expense)/income	—	—	—	(10,556)	—	—	—	(28,513)	(39,069)	10,446	(28,623)	
Transfer to statutory reserves	—	—	4,413	—	—	—	—	(4,413)	—	—	—	
Placing of shares	1,609	37,813	—	—	—	—	—	—	39,422	—	39,422	
Balance at 30 June 2020 (unaudited)	17,286	1,492,149	79,941	(26,111)	—	17,047	901	(1,041,218)	539,995	261,157	801,152	
Balance at 1 January 2021 (audited)	17,286	1,492,149	85,486	19,925	—	17,047	1,373	(1,231,260)	402,006	231,217	633,223	
(Loss)/profit for the period	—	—	—	—	—	—	—	(30,862)	(30,862)	12,100	(18,762)	
Other comprehensive income	—	—	—	6,996	—	—	—	—	6,996	—	6,996	
Total comprehensive income/(expense)	—	—	—	6,996	—	—	—	(30,862)	(23,866)	12,100	(11,766)	
Transfer to statutory reserves	—	—	4,985	—	—	—	—	(4,985)	—	—	—	
Share-based payments	—	—	—	—	10,300	—	—	—	10,300	—	10,300	
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	(7,196)	(7,196)	
Balance at 30 June 2021 (unaudited)	17,286	1,492,149	90,471	26,921	10,300	17,047	1,373	(1,267,107)	388,440	236,121	624,561	

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net cash generated from operating activities	58,631	93,717
Net cash used in investing activities	(23,827)	(19,029)
Net cash used in financing activities	(446,859)	(136,605)
Net decrease in cash and cash equivalents	(412,055)	(61,917)
Cash and cash equivalents at beginning of the period	858,837	103,456
Effect of foreign exchange rate changes	(3,683)	(611)
Cash and cash equivalents at end of the period	443,099	40,928

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

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

The Interim Financial Statements should be read in conjunction with the financial statements for the year ended 31 December 2020. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the financial statements for the year ended 31 December 2020.

2. Adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”)

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations. The adoption of these new and revised HKFRSs 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 HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. Revenue

The principal activity of the Group is wind power generation.

Revenue for the Reporting Period represents the sales value of electricity generated from the wind farm supplied to a power grid company (net of value-added tax). The amount of revenue is as follows:

	For the six months ended 30 June	
	2021 RMB’000 (unaudited)	2020 RMB’000 (unaudited)
Wind power generation revenue	146,468	129,469
Wind power generation subsidies	55,615	49,176
Business tax and surcharges	(2,780)	(2,496)
Sales of electricity	199,303	176,149

Electricity revenue is recognised over time as the electricity is supplied to the provincial grid companies periodically.

Notes to the Condensed Consolidated Financial Statements

4. Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
(a) Finance costs:		
Interest expenses on bank loans and other loans	40,816	29,562
Interest expenses on bonds	7,634	8,009
Interest expenses on convertible bonds	21,247	20,169
Interest expenses on notes payables	8,286	10,060
Lease interests	10	48
Total interest expenses	77,993	67,848
(b) Staff costs (including Directors' remuneration):		
Directors' remuneration (including retirement benefit scheme contributions and share-based payments)	7,157	3,240
Share-based payments	6,235	—
Other staff costs	17,776	16,442
Retirement benefit scheme contributions (excluding Directors)	62	65
Total staff costs	31,230	19,747
(c) Other items:		
Depreciation of right-of-use assets	835	1,363
Depreciation of property, plant and equipment	77,492	77,466
Net foreign exchange (gains)/losses	(134)	123
Short term lease charges	96	135
Government subsidy income related to value-added tax refund	(11,862)	(11,077)

Notes to the Condensed Consolidated Financial Statements

5. Income tax

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Taxation expenses include:		
Current tax — PRC Enterprise Income Tax	16,267	17,193
Deferred tax	(3,307)	(3,097)
	12,960	14,096

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived in Hong Kong during the Reporting Period (for the six months ended 30 June 2020: Nil).

Pursuant to Caishui 2008 No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, Hongsong, which is engaged in public infrastructure with projects which were set up after 1 January 2008, is entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from its respective year in which the first operating income was derived ("**3+3 tax holiday**"). Accordingly, Hongsong's certain profit, derived from public infrastructure projects which were set up after 1 January 2008, was exempted from the PRC Enterprise Income Tax ("**EIT**").

Except for mentioned as above, the applicable income tax rate to the Group's PRC subsidiaries is 25% during the six months ended 30 June 2021 and 2020.

The Law of the PRC EIT and the Implementation Regulations also impose a withholding tax at 5–10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008.

6. Interim dividend

The Directors do not recommend any distribution of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

Notes to the Condensed Consolidated Financial Statements

7. Loss per share

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company for the six months ended 30 June 2021 of approximately RMB30,862,000 (for the six months ended 30 June 2020: loss of approximately RMB28,513,000).

The weighted average number of approximately 1,979,141,000 ordinary shares (for the six months ended 30 June 2020: approximately 1,977,163,000 ordinary shares) in issue during the Reporting Period.

(b) *Diluted loss per share*

Diluted loss per share for the six months ended 30 June 2021 and 2020 are equal to basic loss per share because (i) there are no dilutive potential ordinary shares for the Company's outstanding options; and (ii) the impact of the convertible bonds outstanding has an anti-dilutive effect on the basic loss per share amounts presented.

8. Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief executive management for the purposes of assessing segment performance and allocating resources among segments. For the relevant periods, the Group has one primary operating segment of wind farms operation. This segment uses wind turbine blades to generate electricity power in the PRC.

(a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources, the Group's chief executive management monitors the results, assets and liabilities of the reportable segment on the following basis:

Segment assets include all tangible, intangible assets and current assets with the exception of certain interests in an associate and a joint venture. Segment liabilities include trade and other payables and income tax payable attributable to the individual segments and bank borrowings managed directly by the segment.

Revenue and expenses are allocated to the reportable segment with reference to sales generated by this segment and expenses incurred by this segment or which otherwise arise from the depreciation or amortisation of assets attributable to this segment.

Notes to the Condensed Consolidated Financial Statements

8. Segment reporting — Continued

(a) Segment results, assets and liabilities — Continued

The measure used for reporting segment profit is “adjusted EBT”, i.e. “adjusted earnings before taxes”. To arrive at adjusted EBT, the Group’s earnings are further adjusted for items not specifically attributed to the individual segment, such as share of profits of an associate, share of losses of a joint venture, Directors’ and auditors’ remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBT, the management is provided with the segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segment, depreciation, amortisation, impairment losses and additions to non-current segment assets used by the segment in its operations.

Information regarding the Group’s reportable segment as provided to the Group’s chief executive management for the purposes of resource allocation and assessment of the segment performance for the six months ended 30 June 2021 and 30 June 2020 is set out below:

For the six months ended 30 June 2021 (unaudited):

	Wind farms operation RMB'000	Un-allocated RMB'000	Total RMB'000
Reportable segment revenue	199,303	—	199,303
Reportable segment profit	54,662	(54)	54,608
Central administrative costs	—	(19,461)	(19,461)
Central finance costs	—	(40,949)	(40,949)
Loss before taxation			(5,802)
Income tax			(12,960)
Loss for the period			(18,762)

Notes to the Condensed Consolidated Financial Statements

8. Segment reporting — Continued

(a) Segment results, assets and liabilities — Continued

For the six months ended 30 June 2020 (unaudited):

	Wind farms operation RMB'000	Un-allocated RMB'000	Total RMB'000
Reportable segment revenue	176,149	—	176,149
Reportable segment profit	45,051	1,941	46,992
Central administrative costs	—	(8,865)	(8,865)
Central finance costs	—	(42,098)	(42,098)
Loss before taxation			(3,971)
Income tax			(14,096)
Loss for the period			(18,067)

	Wind farms operation RMB'000	Un-allocated RMB'000	Total RMB'000
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As at 30 June 2021 (unaudited)

Assets	2,362,850	339,087	2,701,937
Joint venture	—	2,703	2,703
Reportable segment assets	2,362,850	341,790	2,704,640
Reportable segment liabilities	(1,406,265)	(673,814)	(2,080,079)

As at 31 December 2020 (audited)

Assets	2,835,187	260,639	3,095,826
Joint venture	—	2,961	2,961
Reportable segment assets	2,835,187	263,600	3,098,787
Reportable segment liabilities	(1,669,746)	(795,818)	(2,465,564)

Notes to the Condensed Consolidated Financial Statements

8. Segment reporting — Continued

(b) Geographic information

In determining the Group's geographical segment, revenues and results are attributed to the segment based on the location of the customers, and assets are attributed to the segment based on the location of the assets. The Group's major operations and markets are located in the PRC, no further geographic segment information is provided.

9. Property, plant and equipment

For the six months ended 30 June 2021, the Group acquired property, plant and equipment (including construction in progress) amounting to approximately RMB nil (for the six months ended 30 June 2020: approximately RMB139,000).

10. Interest in a joint venture

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Unlisted investments:		
Share of net assets	2,703	2,961

Details of the joint venture, which is accounted for using the equity method in the condensed consolidated financial statements, at the end of the Reporting Period are as follows:

Name of joint venture	Place of establishment and operation	Particulars of registered and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Poly Wealth Securities Limited 保興滙財證券有限公司	Hong Kong	Issued share capital HK\$20,000,000	50%	—	50%	Provision of brokerage services

Notes to the Condensed Consolidated Financial Statements

11. Trade receivables

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Trade receivables	310,646	275,765
Less: allowance for expected credit losses	(2,030)	(2,030)
	308,616	273,735

Trade receivables are net of allowance for expected credit losses of approximately RMB2,030,000 (31 December 2020: approximately RMB2,030,000) with the following ageing analysis as at 30 June 2021 and 31 December 2020:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Within three months	42,341	81,213
More than three months but within one year	90,044	67,709
More than one year	176,231	124,813
	308,616	273,735

The Group's trade receivables are mainly wind power electricity sales receivable from local grid companies. Generally, the receivables are due within 30 days from the date of billing, except for the tariff premium. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relative long time for settlement.

Notes to the Condensed Consolidated Financial Statements

12. Prepayments and other receivables

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Other receivables	390,872	347,057
Less: allowance for expected credit losses	(17,778)	(17,853)
	373,094	329,204
Loan receivables	267,615	243,642
Less: allowance for expected credit losses	(17,420)	(17,420)
	250,195	226,222
Amount due from non-controlling interest	—	7,498
Loans and receivables	623,289	562,924
Deposit for other loans	25,200	16,000
Prepayments and other deposits	106,770	111,764
	755,259	690,688
Less: Non-current portion of — Prepayments for acquisition of property, plant and equipment and other long-term receivables	(164,061)	(155,381)
Total current portion of prepayments and other receivables	591,198	535,307

Notes to the Condensed Consolidated Financial Statements

13. Trade and other payables

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Trade payables	6,777	2,259
Accrual and other payables	117,699	114,356
Payables on acquisition of property, plant and equipment	11,928	11,900
Payables on acquisition of a subsidiary and a joint venture	22,093	22,093
Other tax payables	1,511	6,006
Amounts due to directors	4,823	4,519
Amounts due to non-controlling interest	10,640	46,704
Financial liabilities measured at amortised cost	175,471	207,837

The ageing analysis of trade payables as at 30 June 2021 and 31 December 2020 is set out below:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Within three months	6,054	1,356
More than three months but within one year	138	555
More than one year	585	348
	6,777	2,259

Notes to the Condensed Consolidated Financial Statements

14. Borrowings

The analysis of the carrying amount of borrowings is as follows:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Bank loans	30,000	210,000
Bonds	148,873	144,136
Convertible bonds (note b)	264,563	297,365
Notes payables (note a)	89,979	135,394
Other loans	1,353,056	1,434,737
	1,886,471	2,221,632
Analysis as:		
Current	759,091	835,562
Non-current	1,127,380	1,386,070
	1,886,471	2,221,632

Notes:

a) Notes Payables

Interest expenses on the notes payables were calculated using the effective interest method by applying the effective interest rate of approximately 16% per annum.

During the Reporting Period, the notes payables with principal amount of approximately HK\$52,600,000 has been repaid. The Company is currently in negotiation with the noteholders regarding possible extension of maturity date and amendments to the other terms and conditions of the remaining balance of the notes payables.

Notes to the Condensed Consolidated Financial Statements

14. Borrowings — Continued

Notes: — Continued

b) **Convertible Bonds (the “CB”)**

On 31 December 2018, the Company, Filled Converge and Well Foundation entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue and (i) Filled Converge conditionally agreed to subscribe for the convertible bonds in the principal amount of HK\$294,183,000 and (ii) Well Foundation conditionally agreed to subscribe for the convertible bonds in the principal amount of HK\$19,612,000. The convertible bonds are in aggregation in the amount of HK\$313,795,000 due at 2021 and extendable to 2022 at an interest rate of 8% per annum, with the conversion rights to convert the outstanding principal amount of the convertible bonds into the shares at an initial conversion price of HK\$0.485 per conversion share.

The Company may demand early redemption of any amount of the outstanding principal amounts of the convertible bonds at any time after nine months from issue by giving a notice to the bondholder of not less than ten business days. Early redemption of the convertible bonds will be made at par value of the convertible bonds plus accrued interest up to the date of redemption.

Bondholders have the right on any business day during the conversion period to convert in whole or in part the outstanding principal amount of the convertible bonds in whole or in integral multiples of HK\$1,000 into conversion shares at an initial conversion price of HK\$0.485 per conversion share (subject to adjustments).

On initial recognition of 25 March 2019, the fair value of the equity component and liability component (determined using the prevailing market interest rate of similar non-convertible debts) of convertible bonds as a whole has been ascertained by an independent valuer, Chung Hin Appraisal Limited.

Interest expenses on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of approximately 14.04% to the respective liability component.

Notes to the Condensed Consolidated Financial Statements

14. Borrowings — Continued

Notes: — Continued

b) Convertible Bonds (the “CB”) — Continued

The movement of equity and liabilities components are as follows:

	CB RMB'000
Equity component:	
As at 1 January 2021 (audited) and 30 June 2021 (unaudited)	17,047
Liability component:	
As at 1 January 2021 (audited)	297,365
Interest charged	21,247
Settlement of interests	(50,422)
Exchange realignment	(3,627)
As at 30 June 2021 (unaudited)	264,563
CB RMB'000	
Equity component:	
As at 1 January 2020 (audited) and 30 June 2020 (unaudited)	17,047
Liability component:	
As at 1 January 2020 (audited)	297,498
Interest charged	20,169
Settlement of interests	(11,405)
Exchange realignment	5,968
As at 30 June 2020 (unaudited)	312,230

Notes to the Condensed Consolidated Financial Statements

15. Share capital

	As at 30 June 2021		As at 31 December 2020	
	No. of shares '000 (unaudited)	Amount RMB'000 (unaudited)	No. of shares '000 (audited)	Amount RMB'000 (audited)
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000	87,912	10,000,000	87,912
Ordinary shares, issued and fully paid:				
At beginning of the period	1,979,141	17,286	1,799,141	15,677
Placing of shares (<i>note</i>)	—	—	180,000	1,609
At the end of the period	1,979,141	17,286	1,979,141	17,286

Note:

On 4 December 2019, the Company entered into a placing agreement with a sole placing agent in respect of the placement of 180,000,000 ordinary shares of HK\$0.01 each to independent investors at a placing price of HK\$0.25 per share. The placement was completed on 3 January 2020 and the premium on the issue of ordinary shares, amounting to approximately HK\$42,297,000 (equivalent to RMB37,813,000), net of share issue expenses of HK\$903,000 (equivalent to RMB808,000), was credited to the Company's share premium account.

Notes to the Condensed Consolidated Financial Statements

16. Commitments

Capital commitments outstanding at the end of the Reporting Period not provided for in the condensed consolidated financial statements are as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000 (unaudited)	RMB'000 (audited)
Contracted for:		
Capital injection in subsidiaries	607,562	607,562
Capital injection in an associate	38,696	39,117
Acquisition of property, plant and equipment	59,874	45,015
	706,132	691,694

17. Fair value measurement of financial instruments

a) **Financial assets and liabilities measured at fair value**

Fair value hierarchy

Fair value measurement has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement". The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- i. Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- ii. Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- iii. Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Condensed Consolidated Financial Statements

17. Fair value measurement of financial instruments — Continued

a) **Financial assets and liabilities measured at fair value** — Continued

Recurring fair value measurement

	Fair value measurements as at 30 June 2021 categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Assets:				
Financial assets at fair value through profit or loss	2,057	5,225	—	7,282
Financial assets at fair value through other comprehensive income	—	—	8,165	8,165

	Fair value measurements as at 31 December 2020 categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Assets:				
Financial assets at fair value through profit or loss	2,100	5,225	—	7,325
Financial assets at fair value through other comprehensive income	—	—	8,165	8,165

During the Reporting Period, there were no significant transfer between instruments in Level 1 and Level 2 and no transfer into or out of Level 3 (2020: Nil).

Notes to the Condensed Consolidated Financial Statements

17. Fair value measurement of financial instruments — Continued

a) **Financial assets and liabilities measured at fair value** — Continued

Recurring fair value measurement — Continued

The movement during the periods in the balance of Level 3 fair value measurement is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Financial assets at fair value through other comprehensive income:		
At 1 January	8,165	7,500
Net unrealised gains recognised in other comprehensive income during the period	—	665
	8,165	8,165

The net unrealised gains arising from the remeasurement of the unlisted financial assets at fair value through other comprehensive income are recognised in fair value reserve in other comprehensive income.

Notes to the Condensed Consolidated Financial Statements

17. Fair value measurement of financial instruments — Continued

b) *Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements*

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

Level 2 fair value measurement

Description	Valuation technique	Inputs	30 June 2021	31 December 2020
			RMB'000 (unaudited)	RMB'000 (audited)
Equity investments at fair value through profit or loss	Market approach	Comparable transactions	5,225	5,225

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

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	30 June 2021	31 December 2020
				RMB'000 (unaudited)	RMB'000 (audited)
Financial assets at fair value through other comprehensive income	Asset approach	Net assets	Increase	8,165	8,165

18. Material related party transactions

In addition to the remuneration of the Company's Directors who are also the key management of the Group as set out in Note 4(b), the Group did not enter into any material transaction with related parties of the Group during the six months ended 30 June 2021.

19. Approval of financial statements

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 30 August 2021.