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CHINA RUIFENG RENEWABLE ENERGY HOLDINGS LIMITED
中國瑞風新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 527)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

GROUP FINANCIAL HIGHLIGHTS

- The Group's turnover from operations for the six months ended 30 June 2018 increased by approximately 6% to approximately RMB207 million (for the six months ended 30 June 2017: approximately RMB196 million).
- The Group's gross profit from operations for the six months ended 30 June 2018 increased by approximately 5% to approximately RMB111 million (for the six months ended 30 June 2017: approximately RMB105 million).
- The Group's net profit from operations for the six months ended 30 June 2018 was approximately RMB44 million (for the six months ended 30 June 2017: approximately RMB30 million).
- The Group's profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 amounted to approximately RMB20 million (for the six months ended 30 June 2017: profit of approximately RMB10 million).
- Consolidated net asset value as at 30 June 2018 increased to approximately RMB975 million (31 December 2017: approximately RMB934 million).
- Basic and diluted earnings per share for the six months ended 30 June 2018 was approximately RMB0.011 (for the six months ended 30 June 2017: approximately RMB0.006).
- The Directors do not recommend any payment of interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Ruifeng Renewable Energy Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2018 (the “Reporting Period”) together with the comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	Note	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	207,445	196,204
Cost of sales		<u>(96,725)</u>	<u>(90,841)</u>
Gross profit		110,720	105,363
Other revenue and net income		31,943	29,518
Administrative expenses		<u>(19,921)</u>	<u>(18,299)</u>
Profit from operations		122,742	116,582
Finance costs	5	(55,578)	(63,455)
Share of profits less losses of associates		5,872	1,592
Share of losses of a joint venture		<u>(560)</u>	<u>(269)</u>
Profit before taxation	5	72,476	54,450
Income tax	6	<u>(28,336)</u>	<u>(24,024)</u>
Profit for the period		<u>44,140</u>	<u>30,426</u>
Attributable to:			
Equity shareholders of the Company		20,489	10,099
Non-controlling interests		<u>23,651</u>	<u>20,327</u>
Profit for the period		<u>44,140</u>	<u>30,426</u>
Basic and diluted earnings per share attributable to the equity shareholders of the Company during the period	8	<u>0.011</u>	<u>0.006</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period	44,140	30,426
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC	<u>(7,781)</u>	<u>3,313</u>
Other comprehensive income for the period (net of tax)	<u>(7,781)</u>	<u>3,313</u>
Total comprehensive income for the period	<u>36,359</u>	<u>33,739</u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	12,708	13,412
Non-controlling interests	<u>23,651</u>	<u>20,327</u>
Total comprehensive income for the period	<u>36,359</u>	<u>33,739</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		As at 30 June 2018 <i>RMB'000</i> (unaudited)	As at 31 December 2017 <i>RMB'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	1,598,391	1,638,513
Lease prepayments		10,207	10,405
Interest in associates	11	97,030	91,790
Interest in a joint venture		6,794	7,354
Available-for-sale investments		—	18,710
Financial asset at fair value through other comprehensive income		18,710	—
Goodwill		1,277	—
		<u>1,732,409</u>	<u>1,766,772</u>
Current assets			
Trading securities		3,061	1,012
Inventories		346	—
Trade and other receivables	12	788,699	578,197
Lease prepayments		398	398
Cash and cash equivalents	13	104,767	104,495
		<u>897,271</u>	<u>684,102</u>
Current liabilities			
Trade and other payables	14	134,739	120,157
Borrowings	15	732,700	509,484
Current taxation		5,863	8,188
		<u>873,302</u>	<u>637,829</u>

		As at 30 June 2018	As at 31 December 2017
	<i>Note</i>	RMB'000 (unaudited)	RMB'000 (audited)
Net current assets		23,969	46,273
Total assets less current liabilities		1,756,378	1,813,045
Non-current liabilities			
Borrowings	15	751,393	847,247
Deferred tax liabilities		29,633	32,033
		781,026	879,280
Net assets		975,352	933,765
Capital and reserves			
Share capital	16	15,677	15,677
Reserves		683,438	666,323
Total equity attributable to equity shareholders of the Company		699,115	682,000
Non-controlling interests		276,237	251,765
Total equity		975,352	933,765

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to equity shareholders of the Company										Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Convertible notes reserve RMB'000	Fair value reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2017 (audited)	15,677	1,454,336	28,828	(1,626)	21,147	28,661	—	(895,700)	651,323	265,152	916,475
Profit for the period	—	—	—	—	—	—	—	10,099	10,099	20,327	30,426
Other comprehensive income											
— Exchange differences on translation of financial statements of operations outside the PRC	—	—	—	3,313	—	—	—	—	3,313	—	3,313
Total comprehensive income	—	—	—	3,313	—	—	—	10,099	13,412	20,327	33,739
Transfer to statutory reserves	—	—	7,688	—	—	—	—	(7,688)	—	—	—
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(2)	(2)	(98)	(100)
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	(30,609)	(30,609)
Balance at 30 June 2017 (unaudited)	<u>15,677</u>	<u>1,454,336</u>	<u>36,516</u>	<u>1,687</u>	<u>21,147</u>	<u>28,661</u>	<u>—</u>	<u>(893,291)</u>	<u>664,733</u>	<u>254,772</u>	<u>919,505</u>
Balance at 1 January 2018 (audited)	15,677	1,454,336	49,202	12,088	21,147	22,295	1,760	(894,505)	682,000	251,765	933,765
Profit for the period	—	—	—	—	—	—	—	20,489	20,489	23,651	44,140
Other comprehensive income											
— Exchange differences on translation of financial statements of operations outside the PRC	—	—	—	(7,781)	—	—	—	—	(7,781)	—	(7,781)
Total comprehensive income	—	—	—	(7,781)	—	—	—	20,489	12,708	23,651	36,359
Transfer to statutory reserves	—	—	9,222	—	—	—	—	(9,222)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	821	821
Issue of convertible note	—	—	—	—	—	5,279	—	—	5,279	—	5,279
Recognition of deferred tax liabilities relating to issuance of the convertible notes	—	—	—	—	—	(872)	—	—	(872)	—	(872)
Balance at 30 June 2018 (unaudited)	<u>15,677</u>	<u>1,454,336</u>	<u>58,424</u>	<u>4,307</u>	<u>21,147</u>	<u>26,702</u>	<u>1,760</u>	<u>(883,238)</u>	<u>699,115</u>	<u>276,237</u>	<u>975,352</u>

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 do not include all the information and disclosure required in the full set of financial statements prepared in accordance with the Hong Kong Financial Standards (“HKFRSs”), and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2017.

2. Significant accounting policies

The Interim Financial Statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017, except for the adoption of “HKFRSs” issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2018 as described below:

— HKFRS 9 — Financial instruments

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3 below.

There are no other new or amended standards and interpretations that are effective for the first time for the period that could be expected to have a material impact on the Group.

3. Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments on the Group’s financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) HKFRS 9 Financial Instruments – Impact of adoption

(i) Equity investments previously classified as Available-for-sales financial assets (“AFS”)

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group elected to present in other comprehensive income (“OCI”) changes in the fair value of all its equity investments previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB18,710,000 were reclassified from AFS to financial assets at fair value through other comprehensive income (“FVOCI”) on 1 January 2018.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument.

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	AFS <i>RMB’000</i>	FVOCI <i>RMB’000</i>
Closing balance 31 December 2017 – HKAS 39	18,710	—
Reclassify non-trading equities from AFS to FVOCI	<u>(18,710)</u>	<u>18,710</u>
Opening balance 1 January 2018 – HKFRS 9	<u><u>—</u></u>	<u><u>18,710</u></u>

(ii) Impairment of financial assets

The Group has trade receivables for sales of products that are subject to HKFRS 9’s new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach did not result in any impact on the amounts reported in the opening balance sheet on 1 January 2018 and the financial information during the six months ended 30 June 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than certain days past due (credit terms).

While cash and cash equivalents and financial assets at amortised cost are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

(b) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative instruments held by the Group do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

4. Revenue

The principal activity of the Group is wind power generation.

Revenue for the Reporting Period represents sales of electricity power generated from wind farms. The amount of revenue is recognised as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of electricity	207,445	196,204

5. Profit before taxation

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

		For the six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
(a) Finance costs:			
Interest expenses on bank loans and other loans		33,591	37,695
Interest expenses on bonds		6,676	6,740
Interest expenses on convertible notes		15,308	19,016
Others		3	4
		<u> </u>	<u> </u>
Interest expenses on financial liabilities not at fair value through profit or loss		55,578	63,455
		<u> </u>	<u> </u>
(b) Staff costs (including Directors' remuneration):			
Directors' remuneration (including retirement benefit scheme contributions)		3,126	2,393
Other staff costs		15,294	13,080
Retirement benefit scheme contributions (excluding Directors)		98	114
		<u> </u>	<u> </u>
Total staff costs		<u>18,518</u>	<u>15,587</u>
(c) Other items:			
Amortisation of lease prepayments		199	199
Depreciation of property, plant and equipment		79,026	78,943
Net foreign exchange losses/(gain)		504	(6,416)
Operating lease charges		2,913	1,990
Interest income		(5,499)	(5,679)
Government subsidy income in respect to the value added tax refund		(25,354)	(18,126)
		<u> </u>	<u> </u>

6. Income tax

	For the six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Taxation expenses include:		
PRC Enterprise Income Tax	31,607	25,539
Deferred tax	(3,271)	(3,665)
Withholding tax	—	2,150
	<u>28,336</u>	<u>24,024</u>

No provision of Hong Kong Profits Tax had been made as the Group had no assessable profit arising in Hong Kong during the Reporting Period (for the six months ended 30 June 2017: Nil).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands or the British Virgin Islands.

Pursuant to Caishui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, Heibei Hongsong Wind Power Co., Ltd. (“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”).

In addition, pursuant to Caishui [2012] No. 10 Notice on the Implementation of Public Infrastructure Projects and Projects of Environmental Protection, Energy Saving and Water Conservation Entitled for Preferential Tax Treatment, certain wind power projects of Hongsong, which were approved before 31 December 2007, are also entitled to the 3+3 tax holiday commencing from the year in which the first operating income was derived but could only enjoy those tax benefit subsequent to 1 January 2008. In this connection, Hongsong has obtained the approval from the relevant tax authority to reduce its future income tax liabilities.

Except for mentioned as above, the applicable income tax rate to the Group’s PRC subsidiaries is 25% during the period.

The New Tax Law and the Implementation Regulations also impose a withholding tax at 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. Under the arrangement between the PRC and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, or Mainland China/HKSAR DTA, Hong Kong tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax under CaiShui [2008] No. 1 Notice on Certain Preferential Corporate Income Tax Policies issued jointly by the Ministry of Finance and the State Administration of Taxation on 22 February 2008.

7. Interim dividend

The Directors do not recommend any distribution of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 of approximately RMB20,489,000 (for the six months ended 30 June 2017: approximately RMB10,099,000).

The weighted average of approximately 1,799,141,000 ordinary shares (for the six months ended 30 June 2017: approximately 1,799,141,000) in issue during the Reporting Period, calculated as follows:

Weighted average number of ordinary shares

	For the six months ended 30 June	
	2018	2017
	'000	'000
	(unaudited)	(unaudited)
Issued ordinary shares as at 1 January	1,799,141	1,799,141
Effect of issue of shares upon open offer	—	—
Weighted average number of ordinary shares as at 30 June	<u>1,799,141</u>	<u>1,799,141</u>

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2018 and 2017 is not presented because (i) the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options are higher than the average market prices of the Company's shares during the Reporting Period; and (ii) the impact of the convertible notes outstanding as at 30 June 2018 and 2017 has an anti-dilutive effect on the basic earnings per share.

9. 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 People's Republic of China ("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. Segment liabilities include trade and other payables and income tax payable attributable to the segment and bank borrowings managed directly by the segment.

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

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 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 (including inter-segment, if any), interest income from cash balances and borrowings managed directly by the segment, depreciation, amortisation and 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 2018 and 30 June 2017 is set out below:

For the six months ended 30 June 2018 (unaudited):

	Wind farms operation RMB'000	Un-allocated RMB'000	Total RMB'000
Reportable segment revenue	<u>207,445</u>	<u>—</u>	<u>207,445</u>
Reportable segment profit	<u>108,398</u>	<u>8,485</u>	<u>116,883</u>
Central administrative costs	—	(13,224)	(13,224)
Central finance costs	—	(31,183)	(31,183)
Profit before taxation			72,476
Income tax			<u>(28,336)</u>
Profit for the period			<u>44,140</u>

For the six months ended 30 June 2017 (unaudited):

	Wind farms operation RMB'000	Un-allocated RMB'000	Total RMB'000
Reportable segment revenue	<u>196,204</u>	<u>—</u>	<u>196,204</u>
Reportable segment profit	<u>93,624</u>	<u>11,255</u>	<u>104,879</u>
Central administrative costs	—	(13,818)	(13,818)
Central finance costs	—	(36,611)	(36,611)
Profit before taxation			54,450
Income tax			<u>(24,024)</u>
Profit for the period			<u>30,426</u>

	Wind farms operation RMB'000	Un-allocated RMB'000	Total RMB'000
As at 30 June 2018 (unaudited)			
Assets	2,232,119	293,737	2,525,856
Associates	—	97,030	97,030
Joint venture	—	6,794	6,794
Reportable segment assets	<u>2,232,119</u>	<u>397,561</u>	<u>2,629,680</u>
Reportable segment liabilities	<u>(956,902)</u>	<u>(697,426)</u>	<u>(1,654,328)</u>
As at 31 December 2017 (audited)			
Assets	2,179,802	171,928	2,351,730
Associates	702	91,088	91,790
Joint venture	—	7,354	7,354
Reportable segment assets	<u>2,180,504</u>	<u>270,370</u>	<u>2,450,874</u>
Reportable segment liabilities	<u>(962,466)</u>	<u>(554,643)</u>	<u>(1,517,109)</u>

Other segment information:

	Wind farms operation RMB'000	Un-allocated RMB'000	Total RMB'000
For the six months ended 30 June 2018 (unaudited)			
Depreciation and amortisation for the period	(78,793)	(432)	(79,225)
Interest income	2,167	3,332	5,499
Share of profits less losses of associates	(71)	5,943	5,872
Share of loss of a joint venture	—	(560)	(560)
Additions to non-current segment assets during the period	<u>38,902</u>	<u>11</u>	<u>38,913</u>

For the six months ended 30 June 2017
(unaudited)

Depreciation and amortisation for the period	(78,695)	(447)	(79,142)
Interest income	2,538	3,141	5,679
Share of profits less losses of associates	(136)	1,728	1,592
Share of loss of a joint venture	—	(269)	(269)
Additions to non-current segment assets during the period	<u>1,201</u>	<u>146</u>	<u>1,347</u>

(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.

(c) Information about a major customer

For the six months ended 30 June 2018, revenue of approximately RMB207,445,000 (for the six months ended 30 June 2017: approximately RMB196,204,000) was made to a single customer attributable to the wind farms operation segment comprising 100% (for the six months ended 30 June 2017: approximately 100%) of the total revenue of the Group.

10. Property, plant and equipment

For the six months ended 30 June 2018, the Group acquired property, plant and equipment (including construction in progress) amounting to approximately RMB38,913,000 (for the six months ended 30 June 2017: approximately RMB1,347,000).

As at 30 June 2018, the net book value of the motor vehicle held under the finance lease of the Group was approximately RMB66,000 (31 December 2017: approximately RMB109,000).

11. Interest in associates

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Costs of unlisted investment in associates	85,883	86,883
Share of post-acquisition profits	11,147	4,907
	<u>97,030</u>	<u>91,790</u>

Details of associates at the end of the Reporting Period are as follow:

Name of associate	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	
Shenzhen Qianhai Jiefeng Financing and Leasing Limited** 深圳前海捷豐融資租賃有限公司	PRC	Registered capital USD35,000,000 (of which USD24,725,696, has been paid up)	45.13%	—	49%	Financial leasing, purchase of leased assets, lease advisory and guarantees
Candice Group Limited 華君科技集團有限公司	Cayman Island/ PRC	Registered capital HKD380,000 (of which HKD1,400 has been paid up)	20%	—	20%	Investment holding

** private limited liability company

During the Reporting Period, the Company has acquired additional 60% equity interest of 紅松河北生物科技股份有限公司 (previously an associate of the Company) which subsequently becomes an subsidiary of the Company as at 30 June 2018. The Group recognised a gain of approximately RMB368,000 as a result of measuring at fair value its originally 20% equity interest in that associate before the acquisition. The gain was included in other income.

Interest in associates is accounted for using the equity method in the condensed consolidated financial statements.

12. Trade and other receivables

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Trade receivables (<i>note (i)</i>)	213,745	192,796
Less: allowance for doubtful debts	<u>(2,030)</u>	<u>(2,030)</u>
	<u>211,715</u>	<u>190,766</u>
Other receivables	113,811	71,556
Less: allowance for doubtful debts	<u>(8,245)</u>	<u>(8,239)</u>
	<u>105,566</u>	<u>63,317</u>
Loan receivables	131,564	124,053
Less: allowance for doubtful debts	<u>(9,000)</u>	<u>(9,000)</u>
	<u>122,564</u>	<u>115,053</u>
Amount due from an associate	25,846	24,771
Amount due from a former subsidiary	32	32
Amount due from non-controlling interest	<u>1,998</u>	<u>6,550</u>
Loans and receivables	467,721	400,489
Prepayments and deposits	<u>320,978</u>	<u>177,708</u>
	<u>788,699</u>	<u>578,197</u>

- (i) No allowance for doubtful debts for trade receivables was recorded as at 30 June 2018 (31 December 2017: approximately RMB2,030,000 was made in the second half of year 2017). The ageing analysis of trade receivables is set out below:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Within three months	39,300	100,698
More than three months but within one year	102,361	82,238
More than one year	<u>70,054</u>	<u>7,830</u>
	<u>211,715</u>	<u>190,766</u>

Trade receivables in respect of the sales of electricity are due within 90 days from the date of billings. Balance also included governmental subsidy for renewable energy business of approximately RMB197,830,000 (31 December 2017: approximately RMB136,872,000) of which the settlement depends on availability of fiscal funds as released by the PRC government.

The Directors consider that the carrying amount of trade and other receivables approximates its fair value.

13. Cash and cash equivalents

An analysis of the balance of cash and cash equivalents is set out below:

	As at 30 June 2018 <i>RMB'000</i> (unaudited)	As at 31 December 2017 <i>RMB'000</i> (audited)
Cash and cash equivalents	104,767	104,495

14. Trade and other payables

	As at 30 June 2018 <i>RMB'000</i> (unaudited)	As at 31 December 2017 <i>RMB'000</i> (audited)
Trade payables	24,837	25,980
Other payables	109,554	89,118
Amounts due to Directors	348	507
Amounts due to non-controlling interest	—	4,552
Financial liabilities measured at amortised cost	134,739	120,157

The ageing analysis of trade payables as at 30 June 2018 and 31 December 2017 is set out below:

	As at 30 June 2018 <i>RMB'000</i> (unaudited)	As at 31 December 2017 <i>RMB'000</i> (audited)
Within three months	4,354	6,293
More than three months but within one year	1,459	14,375
More than one year	19,024	5,312
	24,837	25,980

All of the trade and other payables (including amounts due to Directors and non-controlling interest) are expected to be settled or recognised as income within one year, except for the non-current portion of other payable.

The Directors consider that the carrying amount of trade and other payables approximates its fair value.

15. Borrowings

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

	As at 30 June 2018 <i>RMB'000</i> (unaudited)	As at 31 December 2017 <i>RMB'000</i> (audited)
Bank loans (<i>note (i)</i>)	821,802	947,082
Bonds	134,150	128,308
Convertible notes (<i>note (ii)</i>)	269,262	117,674
Other loans	152,400	163,600
Obligation under finance lease	106,479	67
	<u>1,484,093</u>	<u>1,356,731</u>
Analysis as:		
Current	732,700	509,484
Non-current	<u>751,393</u>	<u>847,247</u>
	<u><u>1,484,093</u></u>	<u><u>1,356,731</u></u>

All of the non-current borrowings are carried at amortised cost. None of the non-current borrowings is expected to be settled within one year.

(i) Bank loans

As at 30 June 2018, the amount of the Group's bank borrowings decreased to approximately RMB821,802,000 (31 December 2017: approximately RMB947,082,000), which are all secured bank borrowings secured by the Group's certain property, plant and equipment, certain leasehold land including in lease prepayments, certain trade receivables, certain amount of issued share capital of certain subsidiaries of the Group, certain amount of the Company ordinary shares held by a substantial shareholder of the Company, and personal guarantee provided by Mr. Zhang Zhixiang (an executive director of the Company) and his spouse to the extent of the indebtedness of certain bank loans.

(ii) Convertible notes

Convertible Notes Due 15 June 2019 as extended (the “Extended First CN”)

On 15 June 2016, the Company issued convertible notes at an aggregate principal amount of HKD171,600,000 and a maturity date of 15 December 2017. The net proceeds from the issue of convertible notes, after deducting the placing agent’s commission and other related expenses payable by the Company, amounted to approximately HKD167,900,000. The convertible notes are interest bearing at 8% p.a., payable quarterly. For those convertible notes being redeemed or being converted, interest accrued and unpaid on those convertible notes up to the date of redemption or on the date of conversion, as the case may be, will be payable on those dates.

The Company may demand early redemption of part or whole of the outstanding principal amounts of the convertible notes at any time after six months from issue by giving a notice to the noteholder of not less than five business days. Early redemption of the convertible notes will be made at par value of the convertible notes plus accrued interest up to the date of redemption.

Noteholders 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 notes in whole or in integral multiples of HKD1,300,000 into conversion shares at an initial conversion price of HKD0.65 per conversion share (subject to adjustments), subject to and upon compliance with the term and conditions of the convertible notes.

On 12 December 2017, the Company and the noteholders entered into a deed of amendment (the “Amendment Deed”) to extend the maturity date 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.

The extension resulted in substantial modification of the terms of the convertible notes. On 15 December 2017, the liability component of the convertible notes before extension was extinguished with the corresponding original convertible notes reserve being transferred to the accumulated losses while the liability component of the convertible notes after extension was newly recognised with the fair value being determined by the prevailing market interest rate of similar non-convertible debts which has been ascertained by RHL Appraisal Limited. The residual amount was assigned as the equity component and included in shareholders’ equity.

Interest expenses on the convertible notes before and after extension was calculated using the effective interest method by applying the effective interest rate of approximately 33.43% and 25% to the respective liability component.

Convertible Notes Due 11 May 2019 (the “Second CN”)

On 11 May 2018, the Company issued convertible notes at an aggregate principal amount of HKD174,115,000 and a maturity date of 11 May 2019 with a renewal period of another twelve months subject to mutual consent of the Company and the notesholders. The net proceeds from the issue of convertible notes, after deducting the placing agent’s commission and other related expenses payable by the Company, amounted to approximately HKD172,293,000. The convertible notes are interest bearing at 6.5% p.a. payable quarterly. For those convertible notes being redeemed or being converted, interest accrued and unpaid on those convertible notes up to the date of redemption or on the date of conversion, as the case may be, will be payable on those dates.

The Company may demand early redemption of part or whole of the outstanding principal amounts of the convertible notes at any time after six months from issue by giving a notice to the noteholder of not less than five business days. Early redemption of the convertible notes will be made at par value of the convertible notes plus accrued interest up to the date of redemption.

Noteholders 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 notes in whole or in integral multiples of HKD485,000 into conversion shares at an initial conversion price of HKD0.485 per conversion share (subject to adjustments), subject to and upon compliance with the term and conditions of the convertible notes.

On initial recognition on 11 May 2018, the fair value of the equity component and liability component (determined using the prevailing market interest rate of similar non-convertible debts) of convertible notes as a whole has been ascertained by Chung Hin Appraisal Limited.

Interest expenses on the convertible notes was calculated using the effective interest method by applying the effective interest rate of approximately 12% to the respective liability component.

The net proceeds received from the issuance of the convertible notes were split between the liability and equity components, as follows:

	Extended First CN RMB'000	Second CN RMB'000	Total RMB'000
Equity component:			
At as 1 January 2017 (audited) and 30 June 2017 (unaudited)	<u>28,661</u>	<u>—</u>	<u>28,661</u>
Liability component:			
At as 1 January 2017 (audited)	127,075	—	127,075
Interest charged	19,016	—	19,016
Settlement of interests	(6,022)	—	(6,022)
Exchange realignment	<u>(4,110)</u>	<u>—</u>	<u>(4,110)</u>
At as 30 June 2017 (unaudited)	<u>135,959</u>	<u>—</u>	<u>135,959</u>
Equity component:			
At as 1 January 2018 (audited)	22,295	—	22,295
Issued during the period	—	5,279	5,279
Recognition of deferred tax liabilities in respect of issuance of convertible notes	<u>—</u>	<u>(872)</u>	<u>(872)</u>
At as 30 June 2018 (unaudited)	<u>22,295</u>	<u>4,407</u>	<u>26,702</u>
Liability component:			
At as 1 January 2018 (audited)	117,674	—	117,674
Issued during the period	—	133,761	133,761
Interest charged	13,169	2,139	15,308
Settlement of interests	(5,566)	—	(5,566)
Exchange realignment	<u>1,904</u>	<u>6,181</u>	<u>8,085</u>
At as 30 June 2018 (unaudited)	<u>127,181</u>	<u>142,081</u>	<u>269,262</u>

16. Share capital

	As at 30 June 2018		As at 31 December 2017	
	No. of shares '000 (unaudited)	Amount RMB'000 (unaudited)	No. of shares '000 (audited)	Amount RMB'000 (audited)
Authorised:				
Ordinary shares of HKD0.01 each	<u>10,000,000</u>	<u>87,912</u>	<u>10,000,000</u>	<u>87,912</u>
Ordinary shares, issued and fully paid:				
At beginning and end of the period	<u>1,799,141</u>	<u>15,677</u>	<u>1,799,141</u>	<u>15,677</u>

17. Commitments

(a) Capital commitments not provided for in the financial statements are as follows:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Contracted for:		
Capital injection in subsidiaries	937,694	927,820
Capital injection in an associate	39,681	39,977
Acquisition of property, plant and equipment	<u>222,079</u>	<u>205,891</u>
	<u>1,199,454</u>	<u>1,173,688</u>

(b) The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
Within 1 year	1,911	1,818
After 1 year but within 5 years	<u>1,749</u>	<u>—</u>
	<u>3,660</u>	<u>1,818</u>

18. Fair value measurement of financial instruments

(i) 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:

- 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.
- 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.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value and the level of fair value hierarchy are disclosed below:

Fair value measurements as at 30 June 2018 categorised into					
	Fair value RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements					
Assets:					
Trading securities, listed in PRC	3,061	3,061	—	—	3,061
FVOCI	<u>18,710</u>	<u>—</u>	<u>—</u>	<u>18,710</u>	<u>18,710</u>

Fair value measurements as at 31 December 2017 categorised into				
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements				
Assets:				
Trading securities, listed in PRC	986	—	—	986
Trading securities, listed in HK	26	—	—	26
Available-for-sale investments	<u>—</u>	<u>—</u>	<u>8,710</u>	<u>8,710</u>

During the period there were no significant transfer between instruments in Level 1 and Level 2 and no transfer into or out of Level 3 (2017: Nil).

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values because of their immediate or short term maturity as at 30 June 2018 and 31 December 2017.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2018 and 31 December 2017 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

		Fair value measurements as at 30 June 2018 categorised into				
	Carrying amounts RMB'000	Fair value RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
— Non-current borrowings	<u>751,393</u>	<u>625,953</u>	<u>—</u>	<u>625,953</u>	<u>—</u>	<u>625,953</u>

		Fair value measurements as at 31 December 2017 categorised into				
	Carrying amounts RMB'000	Fair value RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
— Non-current borrowings	<u>847,247</u>	<u>738,270</u>	<u>—</u>	<u>738,270</u>	<u>—</u>	<u>738,270</u>

Valuation techniques and inputs used in level 2 fair value measurements

The fair values of the non-current borrowings are estimated as being the present values of future cash flows, discounted at interest rates with reference to observable yield curves as at 30 June 2018 and 31 December 2017 taking into account the credit spread of the Group as appropriate.

19. 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 5(b), the Group did not enter into any material transaction with related parties of the Group during the six months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the Reporting Period, the Group was principally engaged in wind farms operation through its subsidiary Hongsong.

For the six months ended 30 June 2018, the Group's revenue from its wind farms operation amounted to approximately RMB207,445,000 (for the six months ended 30 June 2017: approximately RMB196,204,000). Gross profit increased by approximately 5% to approximately RMB110,720,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately RMB105,363,000). The net profit for the Reporting Period was approximately RMB44,140,000 (for the six months ended 30 June 2017: approximately RMB30,426,000). The increase in net profit for the Reporting Period was mainly due to the increased sales of electricity and a decrease in financial costs for the Reporting Period.

Revenue

During the Reporting Period, the Group's revenue was mainly derived from the business of wind power generation of Hebei Hongsong Wind Power Co., Ltd. ("Hongsong"). 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 six months ended 30 June 2018 was approximately RMB207,445,000, representing a increase of approximately 6% as compared with approximately RMB196,204,000 of the corresponding period of 2017. The increase was mainly due to the increase in amount of electricity generated as well as the sales of electricity. For the Reporting Period, the Group's revenue were mainly derived by Hongsong which contributed a stable source of revenue to the Group.

Cost of Sales

Cost of sales mainly includes the cost of raw materials, staff costs, depreciation, water, electricity, gas and other ancillary materials for wind farms operation. Cost of sales for the six months ended 30 June 2018 was approximately RMB96,725,000, representing approximately 47% of the Group's revenue from wind farms operation, which was comparable to approximately 46% for the corresponding period of 2017.

Gross Profit

Gross profit from wind farms operation for the six months ended 30 June 2018 increased by approximately 5% to approximately RMB110,720,000 (for the six months ended 30 June 2017: approximately RMB105,363,000), which was mainly due to the increase in electricity sales for the reason mentioned in the paragraph headed “Revenue” above while Hongsong has maintained a relatively constant cost to sales ratio for the Reporting Period.

Other Revenue and Net Income

Other revenue and net income from wind farms operation mainly comprised (i) the tax refund from government (for the six months ended 30 June 2018: approximately RMB25,354,000; for the six months ended 30 June 2017: approximately RMB18,126,000); (ii) interest income (for the six months ended 30 June 2018: approximately RMB5,499,000 for the six months ended 30 June 2017: approximately RMB5,679,000); and (iii) net foreign exchange gain of approximately RMB6,416,000 being recorded for the six months ended 30 June 2017 while net foreign exchange loss of RMB504,000 for the Reporting Period was recorded as Administrative Expenses.

Administrative Expenses

Administrative expenses for the Reporting Period mainly included salaries and welfare expenses, professional fees, entertainment expenses, travelling expenses, insurance expenses and other taxation expenses. It increased by approximately 9% to approximately RMB19,921,000 for the six months ended 30 June 2018 when compared with approximately RMB18,299,000 for the six months ended 30 June 2017. The increase was mainly due to an increase in general and administrative expenses such as consultancy fee, operating lease charges and salaries as incurred by the Company’s PRC subsidiaries.

Finance Costs

Finance costs for the Reporting Period referred to interest expenses, and bank charges of the Group’s borrowings including bank loans obtained, bonds and convertible notes issued by the Group. It amounted to approximately RMB55,578,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately RMB63,455,000). The decrease was mainly due to a decrease in interest expenses of bank loans as a result of the repayments of bank borrowings during the Reporting Period and a fall in convertible notes interest because of a substantial modification of the terms of the convertible notes in December 2017 which leading to a fall in effective interests calculation.

Taxation

Taxation increased from approximately RMB24,024,000 for the six months ended 30 June 2017 to approximately RMB28,336,000 for the six months ended 30 June 2018. The increase for the Reporting Period was mainly due to an increase in income tax provision of Hongsong to approximately RMB31,607,000 (for the six months ended 30 June 2017: approximately RMB25,539,000) for the Reporting Period, net of a reversal of deferred tax liabilities of approximately RMB3,271,000 (for the six months ended 30 June 2017: approximately RMB3,665,000); and balance for the corresponding period of last year included a withholding tax provision of approximately RMB2,150,000 in respect to the dividends declared by a subsidiary of the Group while no such item was recorded for the Reporting Period.

Net Profit for the Reporting Period

The net profit for the Reporting Period was approximately RMB44,140,000 (for the six months ended 30 June 2017: approximately RMB30,426,000). The increase in net profit is mainly due to the increased sales of electricity and a fall in financial costs for the Reporting Period.

Share Capital

As at 30 June 2018, the total number of issued shares capital of the Company comprised 1,799,140,800 ordinary shares of HKD0.01 each (31 December 2017: 1,799,140,800 ordinary shares of HKD0.01 each).

Liquidity and Financial Resources

The cash and bank balances as at 30 June 2018 and 31 December 2017 amounted to approximately RMB104,767,000 (mainly denominated in Renminbi (“RMB”), United States dollar (“USD”) and Hong Kong dollar (“HKD”) of approximately RMB80,966,000, USD5,000 and HKD28,164,000), and approximately RMB104,495,000, respectively.

Total borrowings of the Group as at 30 June 2018 amounted to approximately RMB1,484,093,000, representing a increase of approximately RMB127,362,000 when compared with approximately RMB1,356,731,000 as at 31 December 2017. The increase was the combined effect of issuance of new convertible notes by the Company on 11 May 2018; a new finance lease entered into for Baotou Yinfeng’s wind farm development, and repayments of borrowings during the Reporting Period.

The Group repaid its debts mainly through steady recurrent cash-flows generated by its operations and by other financing. The Group’s gearing ratio as at 30 June 2018 was approximately 0.63 which was comparable to approximately 0.62 as at 31 December 2017. That ratio was calculated by dividing the Group’s total liabilities by its total assets. During the six months ended 30 June 2018, all of the Group’s borrowings were settled in RMB, USD and HKD and all of the Group’s income was denominated in RMB and HKD. Interest bearing borrowings were approximately

RMB1,484,093,000 as at 30 June 2018 (31 December 2017: approximately RMB1,356,731,000). Among the interest bearing borrowings of the Group, approximately RMB463,437,000 were fixed rate loans and approximately RMB1,020,656,000 were variable rate loans. The Group had not engaged in any hedging facility against interest rate fluctuations for the six months ended 30 June 2018 and up to the date of this announcement, 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.

Issuing of Corporate Bonds

During the Reporting Period, the Company did not issue additional non-listing corporate bonds (the "Bonds") to investors while bonds with principle amount of HKD2,500,000 in total were mature and redeemed (30 June 2017: additional bonds in an aggregate principal amount of HKD18,500,000 were issued).

The Company intends to use the net proceeds from the Bonds issued for general working capital of the Group. As at 30 June 2018 and 31 December 2017, principal amount of approximately HKD171,236,000 and HKD173,736,000 of the Bonds had been issued, respectively.

Issuing of Convertible Notes

On 24 April 2018, the Company entered into a placing agreement (the "Placing Agreement") with Golden Rich Securities Limited (the "Placing Agent"), an independent third party, 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 HKD174,115,000, 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 HKD0.485 per conversion share (the "Convertible Notes").

Assuming full conversion of the Convertible Notes, a total of 359,000,000 shares of the Company (the "Conversion Shares") would be allotted and issued, representing (i) approximately 19.95% of the existing issued share capital of the Company as at the date of the Placing Agreement; and (ii) approximately 16.63% 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 11 May 2018, the Convertible Notes in the aggregate principal amount of HKD174,115,000 were issued by the Company in accordance with the terms of the Placing Agreement and the relevant supplemental deed entered into on 30 April 2018. The net proceeds generated from the issue of Convertible Notes, after deducting the Placing Agent's commission and other related expenses payable by the Company, amounted to approximately HKD172,174,000.

The Company intended to apply the net proceeds from the issue of Convertible Notes as to (i) approximately 80% for the repayment of the outstanding loan borrowings of the Group; and (iii) approximately 20% as the Group's general working capital.

As at 30 June 2018, approximately 71% of the net proceeds has already been used in repaying the outstanding loan borrowing of the Group.

Further details of the issuance of Convertible Notes are set out in the announcements of the Company dated 24 April 2018, 30 April 2018 and 11 May 2018, respectively.

Equipment Purchase Agreements and Finance Lease Agreement

On 7 February 2018, Baotou City Yinfeng Huili New Energy Investment Limited ("Baotou Yinfeng"), an indirect wholly owned subsidiary of the Company, Hengqin Financial Investment Leasing Company Limited ("Hengqin FI"), Baotou Tianshun Wind Power Equipment Company Limited ("Tianshun") and Suzlon Energy (Tianjin) Limited ("Suzlon Tianjin") entered into the equipment purchase agreements (in supersede of the first equipment purchase agreements signed by Baotou Yinfeng with Tianshun and Suzlon Tianjin, respectively), pursuant to which Hengqin FI agreed to purchase (i) 23 sets of SUZLON s88 wind power towers and 1 set of SUZLON s97 wind power tower from Tianshun at consideration of RMB23,282,000; and (ii) 17 sets of SUZLON s88 wind power generators from Suzlon Tianjin at an consideration of RMB136,375,394 (collectively referred to as the "Wind Farm Equipment"). On the same date, Baotou Yinfeng and Hengqin FI also entered into a finance lease agreement, pursuant to which Hengqin FI agreed to lease the Wind Farm Equipment to Baotou Yinfeng for a period of 60 months at a total lease payment of RMB154,960,017 of which RMB141,929,817 shall be paid in twenty instalments as for the first phrase and the remaining RMB13,030,200 shall be paid in another twenty instalments as for the second phrase.

As at 30 June 2018, the Company has drawn down an aggregate amount of RMB 117,236,800.

Further details are set out the announcement of the Company dated 13 April 2018 and 3 May 2018, respectively.

Capital Raising

During the Reporting Period, save as disclosed in this announcement, the Group did not have any capital raising activity.

Material Acquisitions and Disposal

There were no material acquisition and disposal of subsidiaries and associated companies by the Group for the six months ended 30 June 2018.

Pledge of Assets

As at 30 June 2018, the Group has pledged certain property, plant and equipment and certain leasehold land including in lease prepayments with a carrying value of approximately RMB986,396,000 in total (31 December 2017: approximately RMB1,035,187,000), and trade and other receivables with a carrying value of approximately RMB221,935,000 (31 December 2017: approximately RMB200,986,000) as security for the borrowings obtained by the Group.

As at 30 June 2018, certain shares of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2018, the Group had approximately 140 full-time employees (31 December 2017: approximately 140 employees) in Hong Kong and the PRC in respect of the Group's operations. For the six months ended 30 June 2018, the relevant staff costs (including Directors' remuneration) were approximately RMB18,518,000 (for the six months ended 30 June 2017: approximately RMB15,587,000). 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

Memorandum of Understanding in relation to the possible Subscription and the possible Acquisition dated 17 July 2018 ("MOU")

On 17 July 2018, the Company and an independent third party (the "Subscriber"), entered into the non-legally binding MOU, under which the Subscriber expressed an interest to, directly or indirectly through a wholly-owned subsidiary or nominee, subscribe for new shares and/or convertible bonds to be allotted and issued by the Company (the "Possible Subscription"). It is intended that the Subscriber will become the single largest shareholder holding not less than 51% of the enlarged issued share capital immediately following completion of the Possible Subscription. The Subscriber intends to settle the Possible Subscription by cash and/or injection of assets or such other way as the parties may agree. The partial settlement of subscription price under the Possible Subscription by

way of injection of assets (the “Possible Acquisition”) may constitute a discloseable transaction and/or connected transaction of the Company under Chapter 14 and/or Chapter 14A of the Listing Rules.

Under Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the Possible Subscription will continue to be made until an announcement of a firm intention to make an offer under Rule 3.5 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”) or of a decision not to proceed with an offer is made.

Further details of the MOU are set out in the announcement of the Company dated 19 July 2018.

Non-legally binding Term Sheet in relation to possible placing of new shares

On 20 July 2018, the Company and Zhongtai International Securities Limited (“the Placing Agent”), an independent third party, entered into a non-legally binding placing term sheet, pursuant to which the Company intends to engage the Placing Agent to place, on a best effort basis, the placing shares to not less than six placees who are expected to be institutional investors and/or professional investors, in which the number of the placing shares is dependent on the level of public float of the Company upon the completion of the Possible Subscription and/or possible general offer to be made by the Subscriber pursuant to the requirement of the Takeovers Code as disclosed in the announcement of the Company dated 19 July 2018.

Further details are set out in the announcement of the Company dated 20 July 2018.

Save as those disclosed above in this announcement, the Group does not have any material subsequent event after the Reporting Period and up to the date of this announcement.

BUSINESS REVIEW

For the first half of 2018, the total sales of the Group increased by 6% to approximately RMB207,445,000 as compared to the corresponding period last year of approximately RMB196,204,000. For the Reporting Period, the Group’s revenue was mainly derived from Hongsong, an indirectly non-wholly owned subsidiary of the Company and the Group’s primary operation arm of wind farms in China, which contributed a stable stream of revenue and profits to the Group as compared with that of the corresponding period last year.

The increase in the profit for the Reporting Period by 45% to approximately RMB44,140,000 as compared to approximately RMB30,426,000 of the corresponding period last year was mainly due to the combined effect of the increased sales of electricity and a decrease in financial costs for the Reporting Period.

The Group will continue to consolidate and streamline its existing renewable energy business portfolio in order to enlarge its operational scale and to strengthen the respective efficiency, and pour sufficient resources into the wind power and other renewable power development projects with a view to create better and stable returns for the shareholders of the Company (the “Shareholders”) and investors.

(1) Wind Farms Operations

Hongsong’s wind farm projects

Upon completion and commencement of operation of the Phase 9 Project – The Yuanhui Project of Hongsong in the previous years, the wind farms of Hongsong have been operating at a relatively full scale and generated a steady stream of sales of electricity and profits for the Group.

Baotou Yinfeng’s wind farm projects

Baotou Yinfeng is a subsidiary of the Company being acquired in the first half of 2016, which possesses a wind farm in Baotou City of Inner Mongolia with 49.8MW of the Phase 1 Project. In October 2015, Baotou Yinfeng received the relevant project approval from Baotou City’s NDRC for its Phase 1 Project. For the Reporting Period, Baotou Yinfeng Phase 1 Project is still under construction which is expected to be completed in the coming years and would contribute to the Group’s revenue from the operation of wind farms in the future.

OPERATING ENVIRONMENT

According to the first half year electricity operating data released by the Development and Reform Commission this year, the national electricity consumption for the first half of 2018 in PRC was 3.23 trillion kwh, increased by 9.4% as compared with the corresponding period last year with the growth rate picking up 3.1% points from the corresponding period last year. The electricity consumption of the first industries, second industries, tertiary industries and residential household recorded a growth by 10.3%, 7.6%, 14.7% and 13.2%, respectively as compared with the corresponding period last year.

In the first half of 2018, an additional grid capacity of wind power in the PRC was 7.94 million kilwatts. By the end of June, the cumulative grid capacity of wind power has reached 171.6 million kilwatts, growing by 11% as compared with the corresponding period last year. Further, the electricity of wind power generated was approximately 191.7 billion kwh, growing by 28.7% year on year. The average utilisation hours were approximately 1,143 hours, increasing 159 hours from the same period of last year. On the other hand, the abandoned wind power was 18.2 billion kwh, decreasing 5.3 billion kwh year on year, reflecting an obvious turnaround of wind curtailment and discard.

Considering macro economic situation, the temperature and base parameters, increase in electricity consumption could be attributable to four major reasons: firstly, the general continual favourable momentum of the macroeconomy has fueled the accelerated recuperation of key indices such as the output growth of industries, total retail sales of consumer goods, infrastructure investments and foreign trading and exports. Secondly, with an improvement in the demand and supply relationship on the industrial goods market and the rebound in market prices, the corporate production environment has experienced an evident recovery, which in turn has driven the growth in electricity consumption. Thirdly, new techniques and emerging industries including the high technology industry and the equipment manufacturing industry have been riding on the expedited growth of novel industrial environments, contributing to the prominent growth in electricity consumption and gradually forming another important force for facilitating the electricity consumption across the entire society. Last but not least, the base parameters in the corresponding period last year were low.

It is fair to say that the current business operation Company is going towards the same direction with the political and industrial environment trend, and hence it is expected that there will be further growth for the Company's wind farms operation.

The continuous focus of the PRC government on developing renewable energy by implementing various measures and policies in promoting the use of wind power and clean energy provides the Company with tremendous opportunities in developing its wind farm business. It appears that the PRC government will continue to support the development of wind power industry with full commitment. This will definitely lay a solid foundation for the development of the Company by way of the unique policy advantages and favourable environment for business development, and it is expected that the wind power industry will head towards a further development, of which the Company will undoubtedly benefit from this development.

FUTURE PROSPECTS

As stated in the 2017 annual report of the Group, the Group will (i) continue to focus its resources on the development and operation of energy projects through further capital investment in Hongsong and Baotou Yinfeng; (ii) enhance its interactions with other businesses; and (iii) explore new investment opportunities to develop other renewable energy business. The Group is also exploring the opportunities to develop into offshore wind farm operation and other renewable energy business, with an aim to become one of the pillars in the energy industry. The Group will (i) speed up the development of its energy business by way of cooperative development and acquisitions; and (ii) continue to identify and acquire mature power plants with promising development prospects in order to strengthen its existing wind farm operation and other energy business opportunities in the PRC and abroad.

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 Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the six months ended 30 June 2018 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 Zhixiang 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 six months ended 30 June 2018.

Senior management and those staff 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 six months ended 30 June 2018.

INTERIM DIVIDEND

The Directors do not recommend any payment of interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 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 six months ended 30 June 2018.

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 contribution or potential contribution 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 2017 Annual Report of the Company.

The following table discloses movements in the Company’s share options held by each of the Directors, the employees of the Company and other grantees in aggregate granted under the Scheme during the six months ended 30 June 2018:

Name and category of participant	Number of unlisted share options					Grant date	Exercise period (Note 1)	Exercise price per share	Price per share at grant date
	As at 1 January 2018	Granted during the period	Cancelled/lapsed during the period	Exercised during the period	As at 30 June 2018				
Directors									
Zhang Zhixiang	4,620,000	—	—	—	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Ning Zhongzhi	4,620,000	—	—	—	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Other employees									
In aggregate	31,500,000	—	—	—	31,500,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Ex-director									
Zheng Xian Tao (Note 2)	4,620,000	—	—	—	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Li Baosheng (Note 3)	4,620,000	—	—	—	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Other grantees									
In aggregate	74,940,000	—	—	—	74,940,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
TOTAL	124,920,000	—	—	—	124,920,000				

Notes:

- (1) All share options granted do not have any vesting period.
- (2) Mr. Zheng Xian Tao resigned as an executive Director on 20 June 2016.
- (3) Mr. Li Baosheng resigned as the Chairman of the Board of Directors and an executive Director on 6 November 2015.

All outstanding balance of share options as at 30 June 2018 were subsequently lapsed upon its maturity on 30 July 2018.

Audit Committee

The Company has established an audit committee (the “Audit Committee”) which comprises Ms. Wong Wai Ling (chairman), Mr. Qu Weidong and Ms. Hu Xiaolin as at the date of this announcement, all being independent non-executive Directors. The Audit Committee has reviewed the unaudited financial results of the Group for the six months ended 30 June 2018. 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 six months ended 30 June 2018.

Publication of Information on the Stock Exchange Website

The 2018 interim report of the Company, containing all the information required by the Listing Rules, will be dispatched to the Shareholders and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.c-ruifeng.com), respectively, in September 2018.

By order of the Board of
China Ruifeng Renewable Energy Holdings Limited
Zhang Zhixiang
Executive Director and Chief Executive Officer

Hong Kong, 29 August 2018

As at the date of this announcement, the executive Directors are Mr. Zhang Zhixiang (Chief Executive Officer), Mr. Ning Zhongzhi, Mr. Li Tian Hai and Mr. Peng Ziwei; and the independent non-executive Directors are Ms. Wong Wai Ling, Mr. Qu Weidong and Ms. Hu Xiaolin.