China Baofeng (International) Limited

中國寶豐(國際)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3966)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

- Revenue of the Group for the six months ended 30 June 2019 amounted to approximately RMB456.0 million, representing an increase of approximately 0.6% as compared with the corresponding period of last year.
- Gross profit of the Group for the six months ended 30 June 2019 amounted to approximately RMB259.6 million, representing a decrease of approximately 5.9% as compared with the corresponding period of last year.
- EBITDA of the Company (a non-HKFRS measure) for the six months ended 30 June 2019 was approximately RMB246.0 million, representing a decrease of approximately 3.8% as compared with the corresponding period of last year.
- Profit attributable to the owners of the Company for the six months ended 30 June 2019 was approximately RMB190.2 million, representing a decrease of approximately 22.4% as compared with the corresponding period of last year.
- Earnings per share for the six months ended 30 June 2019 was RMB28.66 cents (30 June 2018: RMB43.17 cents). This decrease was partly due to the issue of 96,150,000 shares of the Company in the second half of 2018.
- The Board has declared the payment of an interim dividend of 20 HK cents (equivalent to RMB18 cents) per share for the six months ended 30 June 2019.

The board (the "**Board**") of directors (the "**Directors**") of China Baofeng (International) Limited (the "**Company**") (collectively with its subsidiaries, the "**Group**") is pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited) (Restated)
Revenue	*3*	**455,956**	453,166
Cost of sales		**(196,402)**	(177,396)
Gross profit		**259,554**	275,770
Other income, gains and losses		**17,190**	17,544
Selling expenses		**(10,949)**	(10,190)
Administrative and other expenses		**(34,890)**	(30,461)
Finance costs	*4*	**(14,089)**	(3,984)
Profit before taxation	*5*	**216,816**	248,679
Income tax expense	*6*	**(26,579)**	(3,608)
Profit for the period		**190,237**	245,071
Other comprehensive income (expense) for the period			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation from functional currency to presentation currency		**–**	18,050
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(342)**	(20,075)
		(342)	(2,025)
Total comprehensive income for the period		**189,895**	243,046
Earnings per share – Basic	*8*	**28.66 cents**	43.17 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited) (Restated)
Non-current Assets			
Property, plant and equipment	*9*	**2,323,394**	283,777
Right-of-use assets	*9*	**19,861**	–
Rental deposit		**1,145**	–
Deposit for other borrowing		**8,400**	–
Deferred tax asset		**601**	1,158
Intangible asset		**369**	409
		2,353,770	285,344
Current Assets			
Inventories		**18,993**	29,511
Trade and other receivables	*10*	**316,427**	153,003
Contract assets	*11*	**1,275,699**	1,020,104
Prepaid rental expenses for photovoltaic facilities	*12*	**–**	36,324
Pledged bank deposits		**–**	1,349
Bank balances and cash		**376,585**	72,595
		1,987,704	1,312,886
Current Liabilities			
Trade and other payables	*13*	**63,562**	113,536
Lease liabilities		**5,215**	–
Provision		**13,743**	14,018
Amount due to ultimate holding company		**3,762**	7,040
Amount due to a photovoltaic facilities provider	*14*	**865,499**	–
Tax payable		**7,524**	3,318
Other borrowing	*15*	**29,566**	–
		988,871	137,912
Net Current Assets		**998,833**	1,174,974
Total Assets less Current Liabilities		**3,352,603**	1,460,318

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited) (Restated)
Non-current Liabilities			
Lease liabilities		**15,102**	–
Other borrowing	*15*	**1,673,800**	–
Deferred tax liability		**13,692**	204
		1,702,594	204
Net assets		**1,650,009**	1,460,114
Capital and Reserves			
Share capital	*16*	**5,515**	5,515
Reserves		**1,644,494**	1,454,599
Total Equity		**1,650,009**	1,460,114

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital *RMB'000*	Share premium *RMB'000*	Special reserve *RMB'000* *(Note a)*	Statutory surplus reserve *RMB'000* *(Note b)*	Translation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2019 (audited) (restated)	5,515	458,895	(1)	109,778	3,919	882,008	1,460,114
Profit for the period	–	–	–	–	–	190,237	190,237
Exchange differences arising on translation of foreign operations	–	–	–	–	(342)	–	(342)
Total comprehensive (expense) income for the period	–	–	–	–	(342)	190,237	189,895
Transfer	–	–	–	20,639	–	(20,639)	–
At 30 June 2019 (unaudited)	5,515	458,895	(1)	130,417	3,577	1,051,606	1,650,009
At 1 January 2018 (audited) (restated)	4,693	246,527	(1)	59,119	5,493	490,703	806,534
Profit for the period	–	–	–	–	–	245,071	245,071
Exchange differences arising on translation from functional currency to presentation currency	–	–	–	–	18,050	–	18,050
Exchange differences arising on translation of foreign operations	–	–	–	–	(20,075)	–	(20,075)
Total comprehensive (expense) income for the period	–	–	–	–	(2,025)	245,071	243,046
Transfer	–	–	–	27,257	–	(27,257)	–
At 30 June 2018 (unaudited) (restated)	4,693	246,527	(1)	86,376	3,468	708,517	1,049,580

Notes:

a. Special reserve represents the reserve arising from group reorganisation in 2012.

b. In accordance with relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "**PRC**"), the PRC subsidiaries are required to transfer 10% of their profit after taxation reported in their statutory financial statements prepared under relevant accounting principles and financial regulations applicable to enterprises established in the PRC to the statutory surplus reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL AND BASIS OF PREPARATION

China Baofeng (International) Limited (the "**Company**") was incorporated in the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Caymans Islands and 3401, 34/F., Two Pacific Place, 88 Queensway, Admiralty, Hong Kong, respectively.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "**Group**") are photovoltaic power generation and design and supply chain of lightings and home furnishing products.

Prior to 1 January 2019, United States Dollars ("**US$**") was regarded as the functional currency of the Company and the consolidated financial statements were presented in Hong Kong Dollars ("**HK$**"). During the current interim period, the directors of the Company consider that as a result of continued focus on the photovoltaic power generation business in the People's Republic of China (the "**PRC**") and the significant acquisition of the 350-megawatt photovoltaic power generation equipment (the "**Equipment**") which was financed by a source of funding in the PRC, the primary economic environment in which the Group operates has changed and it is more appropriate to use Renminbi ("**RMB**") as the functional currency. The presentation currency is also changed to RMB in line with the change in functional currency.

The change in functional and presentation currencies was accounted for in accordance with Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" ("**HKAS 21**"). The effects of the change in presentation currency have been accounted for retrospectively with comparative figures restated. The comparative information in these unaudited condensed consolidated financial statements has been restated to reflect as if RMB has always been the presentation currency of the Group. The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

1A. SIGNIFICANT EVENT AND TRANSACTION IN THE CURRENT INTERIM PERIOD

In May 2019, the Group has completed the acquisition of the Equipment with the finance lease agreement. The consideration of the Equipment amounted to RMB2,336,133,000, which included value-added-tax ("**VAT**") in the amount of approximately RMB268,759,000. The details of the acquisition of the Equipment are disclosed in note 9.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies as described below and resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2018. In addition, the Group has applied the following accounting policy during the current interim period.

Change in functional currency and presentational currency of the Company

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into RMB at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

The change in presentation currency of the Company was applied retrospectively, as if the new presentation currency had always been applied.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of land and buildings and photovoltaic facilities that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Right-of-use assets *(Continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Lease liabilities *(Continued)*

The lease payments include: *(Continued)*

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. Specifically, the Group assessed its contract on sales of electricity and considered that the contract entered into with the state grid company does not confer the state grid company with the right to control the use of the solar power plant. The Group is the party who has right to direct how and for what purpose the solar power plant by making the decisions about how the plant is operated and maintained for electricity generation. Therefore, the contract on sales of electricity does not meet the definition of a lease set out in HKFRS 16.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transaction.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.33% to 4.9%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018 (restated)	12,018
Less: Recognition exemption – short-term leases	(5,293)
	6,725
Lease liabilities discounted at relevant incremental borrowing rate relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	5,853
Analysed as	
Current	873
Non-current	4,980
	5,853

	Right-of-use assets *RMB'000*
The carrying amount of right-of-use assets, related to operating leases recognised upon application of HKFRS 16 as at 1 January 2019 comprises the following:	
Land and buildings	5,853

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	–	5,853	5,853
Current Liabilities			
Lease liabilities	–	873	873
Non-current liabilities			
Lease liabilities	–	4,980	4,980

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Revenue from photovoltaic power generation		
– Sales of electricity	**79,797**	84,017
– Tariff adjustment *(note)*	**208,297**	203,910
Sales of lighting products	**167,862**	165,239
	455,956	453,166

Note: As stated in the sales contract, revenue from photovoltaic power generation included tariff adjustment from the state grid company in the PRC based on the prevailing nationwide government policies on renewable energy for solar power plants.

For photovoltaic power generation, revenue for the period is recognised when electricity is generated and transferred to the customer.

For sales of lighting products, revenue for the period is recognised at a point in time when the control of goods has transferred, being when the goods have been transferred to the customer's specific location.

All sales contracts are for the periods of one year or less. As permitted under HKFRS 15 "Revenue from Contracts with Customers", the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on the revenues and gross profit from different types of business divisions.

The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are as follows:

(i) Photovoltaic power generation represents sales of electricity, development, construction, management and operation of a solar power plant ("**photovoltaic power generation**").

(ii) Lighting product business represents the sales of lighting products including portable lighting products, shades for the lamps and furniture set and other home accessory products ("**sales of lighting products**").

No operating segments have been aggregated in arriving at the reporting segments of the Group.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the six months ended 30 June 2019 (unaudited)

	Photovoltaic power generation *RMB'000*	**Sales of lighting products** *RMB'000*	**Total** *RMB'000*
SEGMENT REVENUE			
External sales	**288,094**	**167,862**	**455,956**
Segment profit (loss)	**229,972**	**(1,872)**	**228,100**
Unallocated income			**60**
Unallocated expenses			
– Administrative and other expenses			**(11,290)**
– Finance costs			**(54)**
Profit before taxation			**216,816**

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

	Photovoltaic power generation *RMB'000*	Sales of lighting products *RMB'000*	Total *RMB'000*
SEGMENT REVENUE			
External sales	287,927	165,239	453,166
Segment profit	256,290	2,743	259,033
Unallocated income			823
Unallocated expenses			
– Administrative and other expenses			(7,193)
– Finance costs			(3,984)
Profit before taxation			248,679

Segment profit represents the profit earned by each segment and hence is arrived at without allocation of certain income and expenses (including other income, gains or losses, administration and other expenses and finance costs). This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance.

3. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, the PRC (excluding Hong Kong) and North America.

Information about the Group's revenue from external customers based on the location to which goods are physically delivered and the location of electricity transmission, and information about its non-current assets based on geographical location of the assets is set out below:

	Revenue from external customers		**Non-current assets (other than deferred tax asset, deposit for other borrowing and rental deposit)**	
	Six months ended 30 June		**As at 30 June**	As at 31 December
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)	**(Unaudited)**	(Audited) (Restated)
Hong Kong	**–**	–	**17,926**	3,002
PRC	**288,094**	287,927	**2,324,567**	279,531
United States of America	**163,698**	163,612	**1,131**	1,653
Canada	**4,164**	1,402	**–**	–
Others	**–**	225	**–**	–
Total revenue/non-current assets	**455,956**	453,166	**2,343,624**	284,186

4. **FINANCE COSTS**

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Interest expense on other borrowing	**12,036**	–
Imputed interest on amount due to a photovoltaic facilities provider	**1,862**	–
Interest on lease liabilities	**191**	–
Interest expenses on bank borrowings	**–**	3,984
	14,089	3,984

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit before taxation has been arrived at after charging:		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**24,808**	22,494
Retirement benefits scheme contributions	**610**	597
	25,418	23,091
Allowance for obsolete and slow moving inventories (included in cost of sales)	**212**	–
Amortisation of intangible asset	**40**	38
Auditor's remuneration	**522**	486
Cost of inventories recognised as expenses	**131,528**	130,664
Depreciation of property, plant and equipment	**14,237**	3,055
Depreciation for right-of-use assets	**824**	–
Design and sampling costs, including staff costs of RMB1,352,000 (for the six months ended 30 June 2018: RMB1,711,000)	**2,761**	2,913
Net foreign exchange gain	**181**	858
Lease classified as short-term lease		
– rented premises	**3,980**	5,803
– photovoltaic facilities	**36,324**	38,462

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current taxation:		
– Hong Kong Profits Tax	**234**	1,473
– PRC Enterprise Income Tax ("**EIT**")	**13,197**	674
– Withholding tax in the PRC	**–**	2,005
	13,431	4,152
Overprovision in prior period:		
– Overseas taxation	**–**	(402)
– Withholding tax in the PRC	**(890)**	–
	(890)	(402)
Deferred taxation charge (credit)		
– Hong Kong Profits Tax	**538**	(142)
– Withholding tax in the PRC	**13,500**	–
	14,038	(142)
Total	**26,579**	3,608

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tier profits tax rates regime will continue to be taxed at a flat rate of 16.5%. For the relevant period in the six months ended 30 June 2019, Hong Kong profits tax of the qualifying corporation in the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other corporations in the Group which are not qualified for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5% (six months ended 30 June 2018: 16.5%).

A subsidiary of the Company, being an enterprise engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, is entitled to tax holiday of 3-year full exemption followed by 3-year 50% exemption commencing from the respective year in which operating profit was derived. The subsidiary of the Company which was engaged in the public infrastructure projects has operating profit since 2016. For the six months ended 30 June 2019, the subsidiary started its first year of the 3-year 50% exemption period. The EIT incurred during the prior period represents the taxation on the government grants received from local government by the PRC subsidiary of the Group in subsidising certain tax payments. The PRC subsidiary is entitled to an income tax rate of 15% as it is eligible as encouraged industries in Western China ("西部地區鼓勵類產業企業").

6. INCOME TAX EXPENSE *(Continued)*

Deferred taxation on undistributed profits of subsidiaries has been recognised taking into accounts the dividends to be distributed from profits earned by a certain subsidiary in the PRC starting from 1 January 2008 under the Implementation Regulation of the EIT Law of the PRC that requires withholding tax with tax rate ranging from 5% to 10% upon the distribution of such profits to the shareholders. Deferred taxation has not been recognised in respect of certain undistributed retained profits earned by the subsidiaries in the PRC starting from 1 January 2008 amounting to RMB806,078,000 (2018: RMB814,825,000) as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Taxation on overseas profits has been calculated on the estimated assessable profits for both periods at the rates of taxation prevailing in the relevant jurisdictions.

7. DIVIDEND

During the current interim period, no dividend in respect of the year ended 31 December 2018 was declared and paid to the owners of the Company.

Subsequent to 30 June 2019, the directors of the Company resolved to declare an interim dividend of 20 HK cents (equivalent to RMB18 cents) per share totalling approximately RMB119.5 million for the six months ended 30 June 2019 (six months ended 30 June 2018: nil). The interim dividend will be payable on or about 5 September 2019 to the shareholders of the Company whose names appear on the Company's register of members on 2 September 2019.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of RMB190,237,000 (30 June 2018: RMB245,071,000 (restated)) and the number of 663,846,000 ordinary shares (2018: 567,696,000 ordinary shares) of the Company.

No diluted earnings per share is presented as there were no potential ordinary shares in issue during both periods.

9. ADDITIONS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group incurred expenditure of RMB5,257,000 (For the six months ended 30 June 2018: RMB109,272,000) to acquire property, plant and equipment mainly for the businesses of photovoltaic power generation.

In May 2019, the Group has completed the acquisition of the Equipment pursuant to the sale and purchase agreement dated 23 March 2019 entered into between the Group and a photovoltaic facilities provider and the finance lease agreement dated 23 March 2019 entered into between the Group and Huaxia Financial Lease Co. Ltd. (the "**Huaxia Financial**"), which is an independent third party to the Group. The consideration for the Equipment under the sale and purchase agreement amounted to approximately RMB2,398,154,000, which included VAT in the amount of approximately RMB330,780,000. The first payment and second payment of the consideration amounting to RMB1,700,000,000 was paid by Huaxia Financial directly to the photovoltaic facilities provider. The third payment of the consideration amounting to approximately RMB698,154,000 would be settled by way of assignment of the benefit of the tariff adjustment receivables by the Group to the photovoltaic facilities provider (the "**Consideration Tariff Adjustment Receivables**"). The Group is obliged to pay the amount received to the photovoltaic facilities provider within ten business days of each receipt from the state grid company, until the entire amount is paid off. In the event that the Group fails to receive the corresponding amount of tariff adjustment receivables due to the PRC policy or other reasons beyond the control of the Group, the Group will not be obliged to pay such amount to the photovoltaic facilities provider and the photovoltaic facilities provider shall have no right to claim any damages against the Group. Since the Group has no legally enforceable right to set off the third payment of the consideration and Consideration Tariff Adjustment Receivables, the Consideration Tariff Adjustment Receivables continued to be included in contract assets. Please refer to note 11 for details.

The Equipment is depreciated over the estimated useful life of 22 years and the estimation of the useful life of the Equipment is considered to be a key judgement and estimation by the management in the preparation of the condensed consolidated financial statements.

Pursuant to the announcement on Relevant Policies for Deepening Value-Added Tax Reform promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC, the VAT rate has been reduced from 16% to 13% effective on 1 April 2019. Accordingly, the photovoltaic facilities provider has agreed to reduce the amount of the consideration to approximately RMB2,336,133,000, which included VAT in the amount of approximately RMB268,759,000. As a result of the aforesaid adjustment to the consideration, the amount of the third payment is reduced to approximately RMB636,133,000.

During the current interim period, the Group entered into a new lease agreement for the office premises for 4 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised RMB14,841,000 for right-of-use asset and RMB14,841,000 for lease liability.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 *RMB'000* (Unaudited)	At 31 December 2018 *RMB'000* (Audited) (Restated)
Trade receivables	**101,954**	131,841
Less: Allowance for doubtful debts	**(724)**	(724)
	101,230	131,117
Bill receivables	**11,200**	10,700
Other receivables and prepayment	**203,997**	11,186
	316,427	153,003

The Group allows credit period with a range from 30 to 90 days to its customers. A longer credit period may be granted to large or long established customers with good payment history. The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date for sales of goods and electricity transmitted dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	At 30 June 2019 *RMB'000* (Unaudited)	At 31 December 2018 *RMB'000* (Audited) (Restated)
0 to 30 days	**91,831**	46,667
31 to 60 days	**3,591**	28,462
61 to 90 days	**1,338**	19,895
Over 90 days	**4,470**	36,093
	101,230	131,117

Other receivables and prepayment mainly consist of payments in advance to suppliers and VAT receivable.

All bills received by the Group are within a maturity period of less than one year.

11. CONTRACT ASSETS

The contract assets represent the tariff adjustment receivables amounting to RMB1,275,699,000 (2018: RMB1,020,104,000) for the photovoltaic power generation from the state grid company.

The collection of the tariff adjustment receivables, which is subject to settlement by the state grid company upon registration of the solar power plant in the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "**Catalogue**") by the Group. As the collection of tariff adjustment receivables is expected in the normal operating cycle, which may be more than 1 year, the receivables are classified as current assets.

In the opinion of the directors of the Company by taking into account the opinion from the Group's PRC legal advisor, the Group's operating solar power plant has met all the relevant requirements and conditions for registration in the Catalogue. The directors of the Company are confident that the Group's operating solar power plant is able to be registered in the Catalogue in due course and the tariff adjustment receivables are fully recoverable upon the allocation of funds from the PRC government.

12. PREPAID RENTAL EXPENSES FOR PHOTOVOLTAIC FACILITIES

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited) (Restated)
Amounts of prepaid rental expenses for photovoltaic facilities analysed as:		
Current	**–**	36,324

The Group entered into a lease agreement for photovoltaic facilities with an independent photovoltaic facilities provider for the rental period from 18 May 2016 to 17 May 2017, with the annual rental payment amounting to RMB90,000,000. The Group renewed the lease agreement for the rental period from 18 May 2017 to 17 May 2019 with total rental payment amounting to RMB180,000,000. The full amounts were paid in advance. During the current interim period, the Group applied the short term lease recognition exemption to these lease agreements and the lease payments are recognised as expense on a straight-line basis over the lease term.

13. TRADE AND OTHER PAYABLES

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited) (Restated)
Trade payables	**33,045**	59,190
Bills payable for purchase of property, plant and equipment	**–**	1,349
Accrued sales commission	**334**	617
Construction payable	**22,330**	34,492
Other payables and accruals	**7,853**	17,888
	63,562	113,536

The credit period granted by suppliers to the Group ranged from 30 to 60 days. The following is an aging analysis of trade payables presented based on invoice date at the end of the period:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited) (Restated)
0 to 30 days	**27,439**	38,800
31 to 60 days	**3,224**	17,250
61 to 90 days	**1,072**	1,207
Over 90 days	**1,310**	1,933
	33,045	59,190

14. AMOUNT DUE TO A PHOTOVOLTAIC FACILITIES PROVIDER

The amount represented the third payment of the consideration amounted to RMB636,133,000 payable to the photovoltaic facilities provider as described in note 9 and an assignment of tariff adjustment receivables amounting to RMB300,000,000 by the Group to the photovoltaic facilities provider. Pursuant to the sale and purchase agreement dated 23 March 2019 entered into between the Group and the photovoltaic facilities provider, the Group has assigned tariff adjustment receivables amounting to RMB300,000,000 to the photovoltaic facilities provider upon the receipt of the first and second payments from Huaxia Financial. The Group is obliged to pay the corresponding amount of tariff adjustment receivables received to the photovoltaic facilities provider within ten business days of each receipt from the state grid company, until the entire amount is paid off. In the event that the Group fails to receive the corresponding amount of tariff adjustment receivables due to the PRC policy or other reasons beyond the control of the Group, the Group will not be obliged to pay such amount to the photovoltaic facilities provider and the photovoltaic facilities provider shall have no right to claim any damages against the Group.

During the current interim period, the fair value of the amount due to a photovoltaic facilities provider of RMB862,949,000 at initial recognition, amounting to approximately RMB844,138,000, was determined based on the present value of the estimated future cash flows discounted at 2.68% per annum.

15. OTHER BORROWING

	At 30 June 2019 *RMB'000* **(Unaudited)**
Carrying amount repayable as follows (based on the scheduled repayment dates set out in the finance lease agreement)	
– within one year	**29,566**
– between one to two years	**102,904**
– between two to five years	**510,461**
– between five to ten years	**795,235**
– after ten years	**265,200**
	1,703,366
Analysed as	
Current	**29,566**
Non-current	**1,673,800**
	1,703,366

The amount represented the first payment and second payment of the consideration amounted to RMB1,700,000,000 as described in note 9 and accrued finance charges. During the current interim period, the Group's other borrowing carries interest at 1.22 times of benchmark interest rate of over five-year borrowing formulated by the People's Bank of China per annum. As at 30 June 2019, the other borrowing is secured by the Group's solar power plant, trade receivables from photovoltaic power generation and tariff adjustment receivables with carrying amount of RMB2,316,231,000, RMB15,230,000 and RMB359,884,000, respectively. The Group has pledged the issued share capital of Ningxia Baofeng Photovoltaic Power Generation Company Limited* (寧夏寶豐光伏發電有限公司), an indirect wholly-owned subsidiary of the Company in favour of Huaxia Financial as a security for the other borrowing.

During the current interim period, the Group has paid a deposit amounting to RMB8,400,000 to Huaxia Financial, such amount can be used to settle the last instalment of the borrowing.

16. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	800,000,000	8,000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018 (unaudited)	567,696,000	5,677
Issue of ordinary shares	96,150,000	961
At 31 December 2018, 1 January 2019 and 30 June 2019 (unaudited)	663,846,000	6,638

	At 30 June 2019 ***RMB'000*** **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited) (Restated)
Shown in the financial statements as	**5,515**	5,515

17. PLEDGE OF ASSETS

The Group's land and buildings with carrying value of RMB571,000 (31 December 2018: RMB605,000) was pledged to a bank to secure banking facilities granted to the Group. As at 30 June 2019, no bank deposit (31 December 2018: RMB1,349,000) was pledged to a bank to secure the issuance of bills payable.

As at 30 June 2019, the other borrowing is secured by the Group's solar power plant, trade receivables from photovoltaic power generation and tariff adjustment receivables with carrying amount of RMB2,316,231,000, RMB15,230,000 and RMB359,884,000, respectively. The Group has pledged the issued share capital of Ningxia Baofeng Photovoltaic Power Generation Company Limited*, an indirect wholly-owned subsidiary of the Company in favour of Huaxia Financial as a security for the other borrowing.

18. MAJOR NON-CASH TRANSACTION

During the period, the Group has completed the acquisition of the Equipment. The consideration for the Equipment under the sale and purchase agreement amounted to approximately RMB2,336,133,000, which included VAT in the amount of approximately RMB268,759,000. The first payment and second payment of the consideration amounting to RMB1,700,000,000 was paid by Huaxia Financial directly to the photovoltaic facilities provider. The third payment of the consideration amounting to approximately RMB636,133,000 would be settled by way of assignment of the benefit of the Consideration Tariff Adjustment Receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Business

The Group is engaged in (i) investment, construction and operation of photovoltaic power generation projects (the "**Photovoltaic Power Generation Business**"); and (ii) the sales of lighting products including portable lighting products, shades for lamps and furniture sets and other home accessory products (the "**Lighting Products Business**").

Industry Overview

Photovoltaic Power Generation Industry

The photovoltaic power generation market in the People's Republic of China (the "**PRC**") has experienced a negative impact from (i) a notice issued by the National Development and Reform Commission of the PRC, Ministry of Finance of the PRC and the National Energy Administration (the "**NEA**") in relation to photovoltaic power generation in 2018 (關於二零一八年光伏發電有關事項的通知) (the "**2018 Notice**") on 31 May 2018 with immediate effect; and (ii) the Circular on Improving the Mechanism for Feed-in-Tariff Rate of Photovoltaic Power Generation (關於完善光伏發電上網電價機制有關問題的通知) (the "**2019 Photovoltaic FiT Notice**") issued by the National Development and Reform Commission of the PRC on 28 April 2019 and effective on 1 July 2019.

Pursuant to the 2018 Notice, amongst others:

(1) the NEA will stop granting installation quota for ordinary utility-scale solar farms in 2018;

(2) cuts to the feed-in tariffs of newly approved ordinary utility-scale solar farms by RMB0.05 kilowatt per hour ("**kWh**") to RMB0.5/0.6/0.7/kWh in Zones I, II and III, respectively;

(3) cuts to the subsidy provided by the PRC government to newly approved distributed generation projects by RMB0.05/kWh to RMB0.32/kWh.

Pursuant to the 2019 Photovoltaic FiT Notice, it sets out the following provisions regarding the feed-in-tariff rates for utility-scale ground-mounted solar farm projects:

(1) the benchmark feed-in-tariff rates have been changed to guidance rates. The guidance rates for utility-scale ground-mounted solar farm stations, which are newly operated in resource zone I, II and III and entitled to national subsidy, are RMB0.40/kWh, RMB0.45/kWh and RMB0.55/kWh, respectively (tax included);

(2) the feed-in-tariff rates for newly-operated utility-scale ground-mounted solar farm projects are in principle determined by way of market competition and shall not exceed the guidance rates for the resource zone where the solar farm project is operated. Upon determination of the feed-in-tariff rate, the portion within the local benchmark price of coal-fire power will be settled by local subsidiaries of the State Grid Corporation of China and the remaining balance shall be settled by the National Renewable Energy Development Fund;

(3) where an utility-scale ground-mounted solar farm project is granted with the national subsidy, but has not obtained the approval for feed-in-tariff rate, its applicable feed-in-tariff rate shall either be subject to provisions of the 2018 Notice (if it is connected to grid on or before 30 June 2019), or the 2019 Photovoltaic FiT Notice (if connected to grid on or after 1 July 2019); and

(4) for village-level solar power projects for poverty alleviation which have been included into the Reusable Energy Tariff Subsidy Catalogues, the feed-in-tariff rates for such projects in resource zone I, II and III are unchanged and remain at RMB0.65/kWh, RMB0.75/kWh and RMB0.85/kWh, respectively.

Notwithstanding the above, the 2018 Notice and the 2019 Photovoltaic FiT Notice do not and are expected not to affect the Group's existing Yinchuan Project (defined below), as the Yinchuan Project commenced operation prior to the publication of the 2018 Notice and the 2019 Photovoltaic FiT Notice.

Portable Lighting Products Industry

The competition of the global portable lighting products industry in the first half of 2019 remained fierce. The United States portable lighting products market, which is the principal market of the lighting products of the Group, has been highly saturated with numerous firms selling a diverse range of products manufactured both domestically and internationally.

In September 2018, the United States imposed additional 10% tariff on about US$200 billion worth of goods imported from the PRC which included lighting products. The tariff rate was originally scheduled to increase to 25% starting from 1 January 2019 and was effective on 10 May 2019. In August 2019, the United States Trade Representatives announced that new tariff of 10% shall be imposed on US$300 billion of goods imported from the PRC and effective on 15 December 2019. It is expected that that trading environment of the lighting products industry between the United States and the PRC will continue to be challenging.

Business Review

For the six months ended 30 June 2019, the business of the Group has been integrated into two segments, which are Photovoltaic Power Generation Business and Lighting Products Business.

For the six months ended 30 June 2019, while the Group's revenue increased by approximately 0.6% to approximately RMB456.0 million, profit attributable to the owners of the Company decreased by approximately 22.4% to approximately RMB190.2 million. The decline in profit was mainly due to an increase in depreciation expenses and finance costs after the acquisition of the Equipment (defined below) and an increase in income tax expenses as a result of increased deferred taxation in connection with the dividends to be distributed and the expiry of a tax holiday of 3-year full exemption that was entitled by a subsidiary of the Company.

Photovoltaic Power Generation Business

During the period under review, the Photovoltaic Power Generation Business continued to develop and brought profits to the Group. In respect of the 350 megawatt photovoltaic power generation output capacity of the Group's photovoltaic project in Yinchuan City (the "**Yinchuan Project**"), Ningxia Hui Autonomous Region ("**Ningxia**"), the PRC, after completion of the sale and purchase agreement entered into between Ningxia Baofeng Photovoltaic Power Generation Company Limited* (寧夏寶豐光伏發電有限公司) ("**Baofeng Photovoltaic**"), a subsidiary of the Company, as purchaser and Yinchuan Binhe New Energy Investment Development Co., Ltd* (銀川濱河新能源投資開發有限公司) (the "**Vendor**") dated 23 March 2019 ("**Sale and Purchase Agreement**") in May 2019, Baofeng Photovoltaic purchased the 350-megawatt photovoltaic power generation equipment, the ancillary facilities, the materials in stock, products and accessories of the Yinchuan Project (the "**Equipment**") at a consideration of RMB2,398,153,588 (tax inclusive). The Equipment is a set of photovoltaic power generation equipment which was leased to Baofeng Photovoltaic by the Vendor since its acquisition of the Equipment and has been used by the Group in the Yinchuan Project for the photovoltaic business operations of the Group since the commencement of the Yinchuan Project in 2016.

In addition, in May 2019, the finance lease arrangement commenced between Baofeng Photovoltaic as lessee and Huaxia Financial Leasing Co., Ltd. (華夏金融租賃有限公司) as lessor (the "**Lessor**") pursuant to the finance lease agreement dated 23 March 2019 ("**Finance Lease Agreement**"), under which the Lessor paid RMB1,700,000,000 of the consideration under the Sale and Purchase Agreement to the Vendor, upon which it takes ownership of the Equipment. The Lessor then leases back the Equipment to Baofeng Photovoltaic for a principal lease amount of RMB1,700,000,000 to be paid by monthly instalments (plus interests) commencing after a grace period which will expire by 28 January 2021, with the last payment to be made by 28 January 2031. From the lease commencement date up to the end of the grace period, Baofeng Photovoltaic only has to pay interests on the principal lease amount but does not have to make repayments of the principal lease amount. The indebtedness and obligations of Baofeng Photovoltaic under the Finance Lease Agreement are guaranteed by the Company and secured by a charge over the entire equity interest in Baofeng Photovoltaic, by a charge over all receivables arising from the income of the Yinchuan Project from time to time (other than the amount of tariff adjustment receivables already assigned by Baofeng Photovoltaic), and by a charge over all power generation equipment and ancillary facilities used in the Yinchuan Project, in favour of the Lessor.

As an ancillary arrangement to the acquisition under the Sale and Purchase Agreement, in May 2019, the Vendor has paid an amount of RMB300,000,000 to Baofeng Photovoltaic in cash, and in return Baofeng Photovoltaic has assigned the tariff adjustment receivables in the amount of RMB300,000,000 to the Vendor effective on the date Baofeng Photovoltaic received the aforesaid cash payment pursuant to the an assignment agreement dated 23 March 2019 entered into between Baofeng Photovoltaic and the Vendor (the "**Assignment Agreement**"). For details of the Sale and Purchase Agreement, the Finance Lease Agreement and the Assignment Agreement, please refer to the announcement of the Company dated 25 March 2019.

At the end of 2018, the photovoltaic power generation output capacity of the Yinchuan Project had been increased from 350 megawatt in 2017 to 390 megawatt. As confirmed by the State Grid Corporation of China, for the six months ended 30 June 2019, the Group has generated an aggregate of 381.3 million kWh power and the Photovoltaic Power Generation Business continued to be the main source of the revenue of the Group, accounting for approximately 63.2% of the Group's total revenue for the six months ended 30 June 2019 (30 June 2018: 63.5%). In addition, the Photovoltaic Power Generation Business was the sole contributor to the profit of the Group, contributing to approximately 100.8% of the Group's total segment profit for the six months ended 30 June 2019 (30 June 2018: 98.9%).

The Group's revenue from the Photovoltaic Power Generation Business for the six months ended 30 June 2019 was approximately RMB288.1 million, which represents an increase of approximately 0.1% from the revenue generated for the corresponding period in 2018 (30 June 2018: RMB287.9 million). The aggregated power generated for the six months ended 30 June 2019 dropped by approximately 8.3% to 381.3 million kWh (30 June 2018: 415.6 million kWh) due to a decrease in number of sunny days. Nevertheless, such impact was offset by an increase in average unit selling price (tax exclusive) as a result of a reduction of value added tax ("**VAT**") rate. The segment profit margin of the Photovoltaic Power Generation Business was approximately 79.8% for the six months ended 30 June 2019 (30 June 2018: 89.0%), and the segment profit decreased by approximately 10.3% to approximately RMB230.0 million (30 June 2018: RMB256.3 million) which was mainly due to an increase in depreciation expenses and finance costs after acquisition of the Equipment.

Lighting Products Business

The Group's revenue from the Lighting Products Business for the six months ended 30 June 2019 was approximately RMB167.9 million (30 June 2018: RMB165.2 million), contributing to approximately 36.8% (30 June 2018: 36.5%) of the Group's total revenue, and representing an increase of 1.6% from the revenue generated in the corresponding period in 2018. Excluding the effect of RMB depreciation against HK$ during the six months ended 30 June 2019, the revenue decreased by 5.4% compared to the corresponding period in 2018. The segment profit margin of Lighting Products Business turned negative to approximately -1.1% for the six months ended 30 June 2019 (30 June 2018: 1.7%) and there was a segment loss of approximately RMB1.9 million (30 June 2018: a segment profit of approximately RMB2.7 million). The segment loss was due to the additional tariff imposed by the United States, continuous keen competition in the principal market of the lighting products of the Group and rising of operating expenses.

Outlook and Prospects

Photovoltaic Power Generation Business

The Board expects the Yinchuan Project to be registered in the eighth batch of the Reusable Energy Tariff Subsidy Catalogues (可再生能源電價附加資金補助目錄). If successful, the Board expects to receive settlements of tariff adjustment receivables from the PRC Government (in which part of them will be paid to the Lessor under the Finance Lease Agreement), which will improve the liquidity of the Group.

In the second half of 2019, the Group will continue to leverage the knowledge and experiences of its management to evaluate and seek appropriate opportunities for the Group's established Photovoltaic Power Generation Business and identify opportunities with reasonable returns in the energy sector. The Board believes that the Photovoltaic Power Generation Business will continue to be the Group's main growth driver, and the strategic development of the Photovoltaic Power Generation Business is for the benefit of the shareholders of the Company (the "**Shareholders**") as a whole.

Lighting Products Business

For the second half of 2019, it is expected that the Lighting Products Business will continue to be adversely affected by the additional tariffs imposed by the United States, intensified competition in its principal markets and rising costs of labour and raw materials. In case the market competition continues to intensify, the Group would deploy its resources efficiently and shift the focus on other segments of the Group so that the Group will generate long term return to the Shareholders.

Financial Review

Change of functional currency

Prior to 1 January 2019, United States Dollars ("**US$**") was regarded as the functional currency of the Company and the consolidated financial statements were presented in Hong Kong Dollars ("**HK$**"). For the six months ended 30 June 2019, the Board consider that as a result of continued focus on the Photovoltaic Power Generation Business in the PRC and the significant amount of acquisition of the Equipment which was financed by a source of funding in the PRC, the primary economic environment in which the Company operates has changed and it is more appropriate to use Renminbi ("**RMB**") as the functional currency. The presentation currency of the financial information is also changed to RMB in line with the change in functional currency.

The change in functional and presentation currencies was accounted for in accordance with Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" ("**HKAS 21**"). The effects of the change in presentation currency have been accounted for retrospectively with comparative figures restated. The comparative information in these unaudited condensed consolidated financial statements has been restated to reflect as if RMB has always been the presentation currency of the Group. The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21.

Segment Information

The Group reported its financial information by two segments: (i) Photovoltaic Power Generation Business; and (ii) Lighting Products Business. The table below is an analysis of the Group's revenue, segment profit/loss and segment profit margin of its operation by segment for the six months ended 30 June 2018 and 2019.

	For the six months ended 30 June							
	2019				2018			
	Revenue *RMB'000*	**% of revenue**	**Segment profit/ loss** *RMB'000*	**Segment profit margin** *(%)*	Revenue *RMB'000*	% of revenue	Segment profit/ loss *RMB'000*	Segment profit margin *(%)*
Photovoltaic Power Generation Business	**288,094**	**63.2**	**229,972**	**79.8**	287,927	63.5	256,290	89.0
Lighting Products Business	**167,862**	**36.8**	**(1,872)**	**(1.1)**	165,239	36.5	2,743	1.7
Total	**455,956**	**100**	**228,100**	**50.0**	453,166	100	259,033	57.2

Revenue

During the six months ended 30 June 2019, revenue of the Group amounted to approximately RMB456.0 million, representing an increase of approximately 0.6% from approximately RMB453.2 million for the six months ended 30 June 2018. Revenue derived from the Photovoltaic Power Generation Business amounted to RMB288.1 million, representing an increase of approximately 0.1% from approximately RMB287.9 million for the six months ended 30 June 2018. The Photovoltaic Power Generation Business continued to be the major contributor to the Group's total revenue. During the six months ended 30 June 2019, while the revenue from Photovoltaic Power Generation Business was adversely affected by the decrease in number of sunny days, the impact of which was offset by an increase in average unit selling price (tax exclusive) as a result of reduction of VAT rate. Revenue derived from the lighting Products Business amounted to RMB167.9 million, representing an increase of approximately 1.6% from approximately RMB165.2 million for the six months ended 30 June 2018. The Lighting Products Business continued to be impacted by the additional tariff imposed by the United States and the fierce competition in the market. As a result, excluding the effect of RMB depreciation against HK$, the revenue from the Lighting Products Business decreased by 5.4% compared to the corresponding period in 2018.

Gross profit and gross profit margin

During the six months ended 30 June 2019, the gross profit of the Group amounted to approximately 259.6 million, representing a decrease of approximately 5.9% from approximately RMB275.8 million for the corresponding period in 2018. The gross profit margin of the Group decreased from approximately 60.9% for the six months ended 30 June 2018 to approximately 56.9% for the corresponding period in 2019. The decrease in both gross profit and gross profit margin of the Group for the period was due to an increase in costs of sales of approximately 10.7% from approximately RMB177.4 million for the six months ended 30 June 2018 to approximately 196.4 million for the six months ended 30 June 2019.

Operating costs

During the six months ended 30 June 2019, the total operating cost increased to approximately RMB45.8 million, representing an increase of approximately 12.8% from approximately RMB40.7 million for the corresponding period in 2018. The increase in operating costs was primarily due to rising staff costs and other operating expenses.

Finance Costs

The Group recorded finance costs amounting to approximately RMB14.1 million for the six months ended 30 June 2019 (30 June 2018: RMB4.0 million). The increase in finance costs during the period was mainly due to the interest expenses and handling charges under the Finance Lease Agreement.

Profit attributable to owners of the Company

Profit attributable to owners of the Company of approximately RMB190.2 million was recorded for the six months ended 30 June 2019, as compared with a profit of approximately RMB245.1 million attributable to owners of the Company for the corresponding period in 2018. The decline in profit was mainly due to an increase in depreciation expenses and finance costs after the acquisition of the Equipment and an increase in income tax expenses as a result of increased deferred taxation in connection with the dividends to be distributed and the expiry of a tax holiday of 3-year full exemption that was entitled by a subsidiary of the Company. Earnings per share was RMB28.66 cents for the six months ended 30 June 2019, as compared with earnings per share of RMB43.17 cents for the corresponding period in 2018. This decrease was partly due to the issue of 96,150,000 shares of the Company in the second half of 2018.

Non-HKFRS Measures

Earnings before interest and taxes, depreciation and amortisation

To supplement the unaudited condensed consolidated financial information of the Group prepared in accordance with HKFRS, one non-HKFRS measure, namely the earnings before interest and taxes, depreciation and amortisation ("**EBITDA**"), as additional financial measure, has been presented in this interim results announcement. The EBITDA is calculated by adding (i) depreciation of property, plant and equipment; (ii) depreciation for right-of-use assets; (iii) amortisation of intangible asset; and (iv) finance costs to the profit before tax. This unaudited non-HKFRS financial measure should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS. In addition, this non-financial measure may be defined differently from similar terms used by other companies. The Board believes that the presentation of non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures provides useful information to Shareholders and the Board regarding financial and business trends relating to its financial condition and results of operations. The Board also believes that the non-HKFRS measures are appropriate for evaluating the Group's operating performance.

The following table sets forth the reconciliation of the Group's non-HKFRS financial measures for six months ended 30 June 2019 and the corresponding period in 2018 to the nearest measures prepared in accordance with HKFRS:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Reconciliation of profit before taxation to EBITDA:		
Profit before tax	**216,816**	248,679
Add:		
Depreciation of property, plant and equipment	**14,237**	3,055
Depreciation for right-of-use assets	**824**	–
Amortisation of intangible asset	**40**	38
Finance costs	**14,089**	3,984
EBITDA	**246,006**	255,756

During the six months ended 30 June 2019, EBITDA of the Company was approximately RMB246.0 million, representing a decrease of approximately 3.8% from approximately RMB255.8 million for the corresponding period in 2018. The decrease of the EBITDA was mainly due to rising staff costs and other operating expenses.

Liquidity and Financial Resources

As at 30 June 2019, cash and cash equivalents of the Group were approximately RMB376.6 million, representing an increase of 418.7% from approximately RMB72.6 million as at 31 December 2018. This was mainly due to the cash of RMB300,000,000 received from the Vendor under the Assignment Agreement.

For the six months ended 30 June 2019, the Group's primary source of funding included cash generated from its operating activities and interest bearing borrowing.

As at 30 June 2019, the Group had a total interest bearing borrowing of RMB1,703.4 million which represents the finance lease obligation under the Finance Lease Agreement (31 December 2018: nil). The Group's current ratio (current asset divided by current liabilities) was 2.0 times as at 30 June 2019, declined from 9.5 times as at 31 December 2018 which was mainly due to the increase in current liabilities owing to the Vendor under the Sale and Purchase Agreement after acquisition of the Equipment and cash received under the Assignment Agreement.

Interim Dividend

The board of Directors (the "**Board**") has declared the payment of an interim dividend of 20 HK cents (equivalent to RMB18 cents) per share for the six months ended 30 June (2018: Nil) (the "**Interim Dividend**"). The Interim Dividend is expected to be paid on Thursday, 5 September 2019 to the Shareholders whose names appear on the register of members of the Company on Monday, 2 September 2019.

Capital Structure

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of (i) net debt, which includes the interest bearing borrowing and net cash and cash equivalents and pledged deposits, and (ii) equity attributable to owners of the Group, comprising issued capital and reserves. As at 30 June 2019, net gearing ratio was 80.4% (31 December 2018: net cash in excess of debts). This ratio is based on interest bearing borrowing and bills payable less cash and cash equivalents and pledged bank deposit divided by total equity.

As at 30 June 2019 and 31 December 2018, the Group has no bank borrowings. As at 31 December 2018, bills payable amounting to RMB1.3 million were secured by bank deposits of RMB1.3 million. There was no bill payable and pledged bank deposit as at 30 June 2019.

As at 30 June 2019, the other interest bearing borrowing which represents the finance lease obligation under the Finance Lease Agreement amounted to RMB1,703.4 million (31 December 2018: nil), which carried interests at 5.978% (31 December 2018: nil). It was guaranteed by the Company and secured by a charge over the entire equity interest in Baofeng Photovoltaic, by a charge over all receivables arising from the income of the Yinchuan Project from time to time (other than the amount of tariff adjustment receivables already assigned by Baofeng Photovoltaic), and by a charge over all power generation equipment and ancillary facilities used in the Yinchuan Project, in favour of the Lessor (31 December 2018: nil).

As at 30 June 2019, the Group's cash and cash equivalents were mainly held in Renminbi, US dollars and HK dollars.

The Directors shall review the capital structure regularly, taking into account the cost of capital and the associated risks. Based on recommendations of the Board, the Group will maintain an appropriate capital structure accordingly.

Contingent Liabilities

As at 30 June 2019 and 31 December 2018, the Group did not have any contingent liability.

Significant Investments

Save as disclosed, the Group did not have any other significant investment as at 30 June 2019.

Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 30 June 2019. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as and when appropriate.

Material Acquisitions or Disposals

During the six months ended 30 June 2019, there was no material acquisition or disposal of subsidiaries, associated companies and joint ventures by the Group.

Charges on Assets

As at 30 June 2019, no bank deposits (31 December 2018: RMB1.3 million) were pledged to a bank for issue of bills payable. The Group's land and buildings with carrying value of RMB0.6 million (31 December 2018: RMB0.6 million) were pledged to a bank to secure banking facilities granted to the Group.

In addition, charges were created over (i) the entire equity interest in Baofeng Photovoltaic; (ii) all receivables arising from the income of the Yinchuan Project from time to time (other than the amount of tariff adjustment receivables already assigned by Baofeng Photovoltaic); and (iii) all power generation equipment and ancillary facilities used in the Yinchuan Project, in favour of the Lessor for the obligations of Baofeng Photovoltaic under the Finance Lease Agreement.

Foreign Exchange Exposure

During the period under review, a significant part of the revenue of the Group was denominated in Renminbi while the Group has transactions invoiced in US dollars, and accordingly the Group was exposed to foreign exchange risk. Save as disclosed herein, the amounts of other foreign currencies involved in the Group's operation for the six months ended 30 June 2019 were insignificant. The Group did not have a foreign currency hedging policy and did not employ any financial instrument for hedging purpose during the six months ended 30 June 2019. However, the management monitored foreign exchange exposure closely to keep the net exposure to an acceptable level.

Capital Commitment

As at 30 June 2019, the Group's capital commitment amounted to approximately RMB6.7 million (31 December 2018: RMB13.3 million) in respect of property, plant and equipment contracted but not provided for.

SUBSEQUENT EVENTS

In relation to the Sale and Purchase Agreement, on 30 July 2019, the Vendor notified Baofeng Photovoltaic in writing that due to the reduction of the VAT rate from 16% to 13% effective on 1 April 2019 pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC, the Vendor has agreed to reduce the amount of the consideration of the Sale and Purchase Agreement from RMB2,398,153,588 (tax inclusive) to RMB2,336,132,374.52 (tax inclusive), which included VAT calculated at the new tax rate of 13%. There is no change to the amount of consideration before tax being RMB2,067,373,782.76.

Save and except disclosed above, all other terms and conditions of the Sale and Purchase Agreement remain unchanged and continue in full force and effect. For details of the reduction of consideration of the Sale and Purchase Agreement, please refer to the announcement of the Company dated 30 July 2019.

CORPORATE GOVERNANCE

The Company endeavours to maintain a high standard of corporate governance for the enhancement of its Shareholders' value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2019, except for the following:

Under code provision C.2.5 of the CG Code, an issuer should have an internal audit function. For the six months ended 30 June 2019, the Company engaged an external accounting firm in the PRC to carry out internal audit to a subsidiary of the Company involving in the Photovoltaic Power Generation Business, nonetheless, the Company did not have an internal audit function for the entire Group for the period under review. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and close supervision by the management can maintain sufficient risk management and internal control of the Group. However, the Board will review the need to set up an internal audit function from time to time and may set up an internal audit team if the need arises.

Save as disclosed above, the Board considers that the Company had complied with the code provisions set out in the CG Code of the Listing Rules during the six months ended 30 June 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

During the six months ended 30 June 2019, the Group adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon specific enquiry, each Director confirmed that during his tenure in the six months ended 30 June 2019, he had fully complied with the required standard of dealings and there was no event of non-compliance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the shares of the Company.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference which have been updated from time to time in compliance with the code provisions set out in the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 June 2019, the Audit Committee comprises three independent non-executive Directors, namely Dr. Tyen Kan Hee, Anthony (chairman of the Audit Committee), Mr. Xia Zuoquan and Mr. Guo Xuewen.

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2019 have been reviewed by the Audit Committee. Deloitte Touche Tohmatsu, the Group's auditor, has carried out a review of the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019, which is prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Interim Dividend, the details of the closure of register of member of the Company and the latest time to lodge transfer documents with the Company's share registrar is set forth as follows:

Book close dates for determining the entitlement of the Interim Dividend	Monday, 2 September 2019
Record date for determining the entitlement of the Interim Dividend	Monday, 2 September 2019
Latest time to lodge transfer documents with the Company's share registrar	Friday, 30 August 2019, 4:00 p.m.
Name and address of the Company's share registrar	Union Registrars Limited Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019

This announcement for interim results for the six months ended 30 June 2019 is published on the websites of the Company (www.baofengintl.com) and the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 30 June 2019 will be despatched to Shareholders and published on the aforementioned websites in due course.

* *For identification purposes only*

By order of the Board
China Baofeng (International) Limited
Dang Yanbao
Chairman and Executive Director

Hong Kong, 16 August 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Dang Yanbao, Mr. Dang Zidong, Mr. Liu Yuan guan and Mr. Gao Jianjun; the non-executive Directors are Mr. Cheng Hoo and Mr. Chung Kin Shun, Jimmy and the independent non-executive Directors are Mr. Xia Zuoquan, Dr. Tyen Kan Hee, Anthony and Mr. Guo Xuewen.