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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 2019

GROUP FINANCIAL HIGHLIGHTS

- The Group's turnover from operations for the six months ended 30 June 2019 decreased by approximately 2% to approximately RMB203 million (for the six months ended 30 June 2018: approximately RMB207 million).
- The Group's gross profit from operations for the six months ended 30 June 2019 decreased by approximately 4% to approximately RMB106 million (for the six months ended 30 June 2018: approximately RMB111 million).
- The Group's net profit from operations for the six months ended 30 June 2019 was approximately RMB4 million (for the six months ended 30 June 2018: approximately RMB44 million).
- The Group's loss attributable to equity shareholders of the Company for the six months ended 30 June 2019 amounted to approximately RMB19 million (for the six months ended 30 June 2018: profit of approximately RMB20 million).
- Consolidated net asset value as at 30 June 2019 increased to approximately RMB908 million (31 December 2018: approximately RMB879 million).
- Basic and diluted loss per share for the six months ended 30 June 2019 was approximately RMB0.011 (for the six months ended 30 June 2018: earnings of approximately RMB0.011).
- The Directors do not recommend any payment of interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 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 2019 (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 2019

		For the six months ended 30 June	
	Note	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	4	202,839	207,445
Cost of sales		<u>(97,055)</u>	<u>(96,725)</u>
Gross profit		105,784	110,720
Interest income		5,783	5,499
Other revenue and net income		24,133	26,444
Administrative expenses		<u>(37,039)</u>	<u>(19,921)</u>
Profit from operations		98,661	122,742
Finance costs	5	(71,977)	(55,578)
Share of profits less losses of associates		1,545	5,872
Share of losses of a joint venture		<u>(681)</u>	<u>(560)</u>
Profit before taxation	5	27,548	72,476
Income tax	6	<u>(23,528)</u>	<u>(28,336)</u>
Profit for the period		<u>4,020</u>	<u>44,140</u>
Attributable to:			
Equity shareholders of the Company		(19,255)	20,489
Non-controlling interests		<u>23,275</u>	<u>23,651</u>
Profit for the period		<u>4,020</u>	<u>44,140</u>
Basic and diluted (loss)/earnings per share attributable to the equity shareholders of the Company during the period (RMB)	8	<u>(0.011)</u>	<u>0.011</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit for the period	4,020	44,140
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	(296)	(12,943)
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company	(741)	5,162
Net movement in the fair value change in respect of financial asset at fair value through other comprehensive income	<u>288</u>	<u>—</u>
Other comprehensive income for the period (net of tax)	<u>(749)</u>	<u>(7,781)</u>
Total comprehensive income for the period	<u><u>3,271</u></u>	<u><u>36,359</u></u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	(20,088)	12,708
Non-controlling interests	<u>23,359</u>	<u>23,651</u>
Total comprehensive income for the period	<u><u>3,271</u></u>	<u><u>36,359</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	1,429,385	1,501,350
Lease prepayments		—	10,008
Interest in associates	11	90,389	97,965
Interest in a joint venture		5,437	6,118
Right-of-use assets		14,106	—
Financial asset at fair value through other comprehensive income		7,500	17,212
Financial asset at fair value through profit or loss		5,225	—
Prepayments and other receivables	13	301,711	301,711
		<u>1,853,753</u>	<u>1,934,364</u>
Current assets			
Financial assets at fair value through profit or loss		4,218	4,667
Inventories		161	125
Trade receivables	12	250,366	220,776
Prepayments and other receivables	13	435,827	349,033
Lease prepayments		—	398
Cash and cash equivalents		122,722	62,491
		<u>813,294</u>	<u>637,490</u>
Current liabilities			
Trade and other payables	14	226,487	190,997
Borrowings	15	506,816	717,402
Lease liabilities		3,008	—
Current taxation		6,775	2,650
		<u>743,086</u>	<u>911,049</u>

		As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
	<i>Note</i>		
Net current assets/(liabilities)		70,208	(273,559)
Total assets less current liabilities		1,923,961	1,660,805
Non-current liabilities			
Borrowings	15	990,848	756,195
Lease liabilities		1,211	—
Deferred tax liabilities		24,216	26,091
		<u>1,016,275</u>	<u>782,286</u>
Net assets		<u>907,686</u>	<u>878,519</u>
Capital and reserves			
Share capital	16	15,677	15,677
Reserves		<u>616,787</u>	<u>610,673</u>
Total equity attributable to equity shareholders of the Company		<u>632,464</u>	<u>626,350</u>
Non-controlling interests		<u>275,222</u>	<u>252,169</u>
Total equity		<u>907,686</u>	<u>878,519</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 Reporting Standards (“HKFRSs”), and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2018.

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 2018, except for the adoption of new and revised HKFRSs issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2019 as described below:

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	3%
Land and buildings	35% — 70%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group’s incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

HKFRS 16 "Leases"

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases."

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening balance sheet on 1 January 2019 as follows:

RMB'000

At January 2019:

Increase in right-of-use assets	15,631
Increase in lease liabilities	5,225
Decrease in lease prepayments	<u>10,406</u>

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

RMB'000

Operating lease commitment at 31 December 2018	6,262
Less: Commitments relating to leases with a remaining lease term ending on or before 31 December 2019 and low-value	(37)
Discounting	<u>(1,000)</u>
Lease liabilities as at 1 January 2019	<u>5,225</u>

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 lessee's incremental borrowing rate applied is 6.26%.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

4. Revenue

The principal activity of the Group is wind power generation.

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

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Wind power generation revenue	150,428	154,679
Wind power generation subsidies	55,790	56,430
Business tax and surcharges	(3,379)	(3,664)
Sales of electricity	202,839	207,445

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

5. Profit before taxation

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

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
(a) Finance costs:		
Interest expenses on bank loans and other loans	32,848	33,591
Interest expenses on bonds	7,454	6,676
Interest expenses on convertible notes	21,759	15,308
Interest expenses on convertible bonds	9,762	—
Lease interest	154	—
Others	—	3
	<u>71,977</u>	<u>55,578</u>
Total interest expenses	<u>71,977</u>	<u>55,578</u>
(b) Staff costs (including Directors' remuneration):		
Directors' remuneration (including retirement benefit scheme contributions)	2,510	3,126
Other staff costs	17,013	15,294
Retirement benefit scheme contributions (excluding Directors)	99	98
	<u>19,622</u>	<u>18,518</u>
Total staff costs	<u>19,622</u>	<u>18,518</u>
(c) Other items:		
Amortisation of lease prepayments	—	199
Depreciation of right-of-use assets	1,511	—
Depreciation of property, plant and equipment	78,523	79,026
Net foreign exchange (gains)/losses	(290)	504
Short term lease charges	141	—
Operating lease charges	—	2,913
Government subsidy income related to value added tax refund	(18,694)	(25,354)
Share-based payment arising from the issue of convertible bonds	21,255	—
	<u>21,255</u>	<u>—</u>

6. Income tax

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Taxation expenses include:		
PRC Enterprise Income Tax	27,727	31,607
Deferred tax	<u>(4,199)</u>	<u>(3,271)</u>
	<u>23,528</u>	<u>28,336</u>

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived in Hong Kong during the Reporting Period (for the six months ended 30 June 2018: Nil).

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").

Except for mentioned as above, the applicable income tax rate to the Group's PRC subsidiaries is 25% during the periods ended 30 June 2019 and 2018.

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.

7. Interim dividend

The Directors do not recommend any distribution of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

8. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company for the six months ended 30 June 2019 of approximately RMB19,255,000 (for the six months ended 30 June 2018: profit of approximately RMB20,489,000).

The weighted average of approximately 1,799,141,000 ordinary shares (for the six months ended 30 June 2018: approximately 1,799,141,000) in issue during the Reporting Period.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 30 June 2019 and 2018 is not presented because (i) the computation of diluted (loss)/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 six months ended 30 June 2018; and (ii) the impact of the convertible notes and convertible bonds outstanding as at 30 June 2019 and 2018 has an anti-dilutive effect on the basic (loss)/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 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 2019 and 30 June 2018 is set out below:

For the six months ended 30 June 2019 (unaudited):

	Wind farms operation RMB'000	Un-allocated RMB'000	Total RMB'000
Reportable segment revenue	202,839	—	202,839
Reportable segment profit	102,365	4,600	106,965
Central administrative costs	—	(30,721)	(30,721)
Central finance costs	—	(48,696)	(48,696)
Profit before taxation			27,548
Income tax			(23,528)
Profit for the period			4,020

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

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

	Wind farms operation RMB'000	Un-allocated RMB'000	Total RMB'000
As at 30 June 2019 (unaudited)			
Assets	2,213,575	357,646	2,571,221
Associates	—	90,389	90,389
Joint venture	—	5,437	5,437
Reportable segment assets	<u>2,213,575</u>	<u>453,472</u>	<u>2,667,047</u>
Reportable segment liabilities	<u>(866,122)</u>	<u>(893,239)</u>	<u>(1,759,361)</u>
As at 31 December 2018 (audited)			
Assets	2,247,820	219,951	2,467,771
Associates	—	97,965	97,965
Joint venture	—	6,118	6,118
Reportable segment assets	<u>2,247,820</u>	<u>324,034</u>	<u>2,571,854</u>
Reportable segment liabilities	<u>(948,508)</u>	<u>(744,827)</u>	<u>(1,693,335)</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.

10. Property, plant and equipment

For the six months ended 30 June 2019, the Group acquired property, plant and equipment (including construction in progress) amounting to approximately RMB6,559,000 (for the six months ended 30 June 2018: approximately RMB38,913,000).

11. Interest in associates

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Unlisted investments:		
Share of net assets	<u>90,389</u>	<u>97,965</u>

During the Reporting Period, the Company has disposed of 12.5% of the issued share capital of Candice Group Limited, which subsequently becomes a financial assets at fair value through profit or loss of the Company as at 30 June 2019. The Group recognised a gain of approximately RMB1,594,000 as a result of the disposal. The gain was included in other revenue and net income.

Further details are set out in the announcements of the Company dated 3 May 2019 and 7 May 2019.

Details of the associate 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

** *private limited liability company*

12. Trade receivables

	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
Trade receivables (<i>note (i)</i>)	252,396	222,806
Less: allowance for doubtful debts	<u>(2,030)</u>	<u>(2,030)</u>
	<u>250,366</u>	<u>220,776</u>

- (i) Allowance for doubtful debts of approximately RMB2,030,000 (31 December 2018: RMB2,030,000) for trade receivables was recorded. The ageing analysis of trade receivables net of allowance of doubtful debts is set out below:

	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
Within three months	105,410	75,819
More than three months but within one year	79,124	79,124
More than one year	<u>65,832</u>	<u>65,833</u>
	<u>250,366</u>	<u>220,776</u>

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

13. Prepayments and other receivables

	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
Other receivables	231,662	146,164
<i>Less:</i> allowance for doubtful debts	<u>(8,265)</u>	<u>(8,265)</u>
	<u>223,397</u>	<u>137,899</u>
Loan receivables	117,904	119,437
<i>Less:</i> allowance for doubtful debts	<u>(9,000)</u>	<u>(9,000)</u>
	<u>108,904</u>	<u>110,437</u>
Amount due from an associate	28,052	26,933
Amount due from non-controlling interest	<u>2,498</u>	<u>2,498</u>
Loans and receivables	362,851	277,767
Deposit for loans	22,220	22,220
Prepayments and other deposits	<u>352,467</u>	<u>350,757</u>
	<u>737,538</u>	<u>650,744</u>
<i>Less:</i> Non-current portion of		
— Prepayments for acquisition of property, plant and equipment	<u>(301,711)</u>	<u>(301,711)</u>
Total current portion of prepayments and other receivables	<u><u>435,827</u></u>	<u><u>349,033</u></u>

14. Trade and other payables

	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
Trade payables	4,225	14,938
Other payables	200,129	148,049
Amounts due to an associate	—	943
Amounts due to directors	898	4,132
Amounts due to non-controlling interest	21,235	22,935
	<u>226,487</u>	<u>190,997</u>
Financial liabilities measured at amortised cost	<u>226,487</u>	<u>190,997</u>

The ageing analysis of trade payables as at 30 June 2019 and 31 December 2018 is set out below:

	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
Within three months	70	9,759
More than three months but within one year	4,027	705
More than one year	128	4,474
	<u>4,225</u>	<u>14,938</u>

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 payables.

15. Borrowings

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

	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
Bank loans	607,759	684,701
Bonds	149,044	145,892
Convertible notes (<i>note (i)</i>)	140,500	293,357
Convertible bonds (<i>note (ii)</i>)	284,223	—
Other loans	232,200	254,600
Obligation under finance lease	83,938	95,047
	<u>1,497,664</u>	<u>1,473,597</u>
Analysis as:		
Current	506,816	717,402
Non-current	990,848	756,195
	<u>1,497,664</u>	<u>1,473,597</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) *Convertible notes*

Convertible Notes Due 15 December 2019 as extend (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 all 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.

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

The extension resulted in substantial modification of the terms of the convertible notes. On 15 June 2019, 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 the second extension was calculated using the effective interest method by applying the effective interest rate of approximately 33.43% and 30.89% 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 noteholders. 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.

At the maturity of the convertible notes on 11 May 2019, the convertible notes with an aggregate principal amount of HKD174,115,000 were redeemed by the Company at par value.

(ii) Convertible bonds (the “CB”)

On 31 December 2018, the Company, Filled Converge Limited (“Filled Converge”) and Well Foundation Company Limited (“Well Foundation”) entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue and (i) Filled Converge conditionally agreed to subscribe for the convertible bonds in the principal amount of HKD294,183,000 and (ii) Well Foundation conditionally agreed to subscribe for the convertible bonds in the principal amount of HKD19,612,000. The convertible bonds are in aggregation in the amount of HKD313,795,000 due at 2021 and extendable to 2022 at an interest rate of 8 per cent per annum, with the conversion rights to convert the outstanding principal amount of the convertible bonds into the shares at an initial conversion price of HK\$0.485 per conversion share.

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

Bondholders have the right on any business day during the conversion period to convert in whole or in part the outstanding principal amount of the convertible bonds in whole or in integral multiples of HKD1,000 into conversion shares at an initial conversion price of HKD0.485 per conversion share (subject to adjustments).

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

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

The movement of equity and liabilities components are as follows:

	Extended First CN RMB'000	Second CN RMB'000	CB RMB'000	Total RMB'000
Equity component:				
At as 1 January 2019 (audited)	22,295	28,033	—	50,328
Issue during the period	—	—	17,879	17,879
Redeemed during the period	—	(28,033)	—	(28,033)
Extinguishment upon extension of the convertible notes	(22,295)	—	—	(22,295)
Recognition upon extension of the convertible notes	11,796	—	—	11,796
Recognition of deferred tax liabilities in respect of issuance of convertible notes/bonds	(1,947)	—	(832)	(2,779)
At as 30 June 2019 (unaudited)	<u>9,849</u>	<u>—</u>	<u>17,047</u>	<u>26,896</u>
Liability component:				
At as 1 January 2019 (audited)	141,823	151,534	—	293,357
Issue during the period	—	—	271,531	271,531
Interest charged	16,190	5,569	9,762	31,521
Settlement of interests	(5,934)	(4,164)	(5,528)	(15,626)
Extinguishment upon extension of the convertible notes	(151,145)	—	—	(151,145)
Recognition upon extension of the convertible notes	139,270	—	—	139,270
Redeemed during the period	—	(149,024)	—	(149,024)
Exchange realignment	296	(3,915)	8,458	4,839
At as 30 June 2019 (unaudited)	<u>140,500</u>	<u>—</u>	<u>284,223</u>	<u>424,723</u>

	Extended First CN RMB'000	Second CN RMB'000	Total RMB'000
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	—	(872)	(872)
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	1,904	6,181	8,085
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 2019		As at 31 December 2018	
	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

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

	As at 30 June 2019 <i>RMB'000</i> (unaudited)	As at 31 December 2018 <i>RMB'000</i> (audited)
Contracted for:		
Capital injection in subsidiaries	950,865	950,469
Capital injection in an associate	41,139	42,212
Acquisition of property, plant and equipment	178,046	183,091
	<u>1,170,050</u>	<u>1,175,772</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.

Recurring fair value measurement

Fair value measurements as at 30 June 2019 categorised into				
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Assets:				
Financial assets at fair value through profit or loss	4,218	5,225	—	9,443
Financial assets at fair value through other comprehensive income	—	—	7,500	7,500

Fair value measurements as at 31 December 2018 categorised into				
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Assets:				
Financial assets at fair value through profit or loss	4,667	—	—	4,667
Financial assets at fair value through other comprehensive income	—	—	7,212	7,212

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 (2018: Nil).

The movement during the period in the balance of these Level 3 fair value measurements are as follows:

	2019 RMB'000
Financial assets at fair value through other comprehensive income:	
At 1 January	7,212
Net unrealised gains recognized in other comprehensive income during the period	288
At 30 June	7,500

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

(ii) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2019

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

Level 2 fair value measurements

Description	Valuation technique	Inputs	RMB'000
Equity investments at fair value through profit and loss	Market approach	Comparable transactions	5,225

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

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	RMB'000
Financial assets at fair value through other comprehensive income	Asset approach	Net assets	Increase	7,500

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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

For the six months ended 30 June 2019, the Group’s revenue from its wind farms operation amounted to approximately RMB202,839,000 (for the six months ended 30 June 2018: approximately RMB207,445,000). Gross profit decreased by approximately 4% to approximately RMB105,784,000 for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately RMB110,720,000). The net profit for the Reporting Period was approximately RMB4,020,000 (for the six months ended 30 June 2018: approximately RMB44,140,000). The decrease in net profit for the Reporting Period was mainly due to the increase in finance costs for the Reporting Period and the non-cash and non-operating item on expenses related to share-based payment arising from the issue of convertible bonds incurred for the Reporting Period.

Revenue

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

Revenue from wind farms operation for the six months ended 30 June 2019 was approximately RMB202,839,000, representing a decrease of approximately 2% as compared with approximately RMB207,445,000 of the corresponding period of 2018. The decrease was mainly due to the decrease in amount of electricity generated as well as the sales of electricity.

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 2019 was approximately RMB97,055,000 (for the six months ended 30 June 2018: approximately RMB96,725,000), representing approximately 48% of the Group’s revenue from wind farms operation, which was comparable to approximately 47% for the corresponding period of 2018.

Gross Profit

Gross profit from wind farms operation for the six months ended 30 June 2019 decreased by approximately 4% to approximately RMB105,784,000 (for the six months ended 30 June 2018: approximately RMB110,720,000), which was mainly due to the increase in staff cost included in the cost of sales.

Other Revenue and Net Income

Other revenue and net income from wind farms operation mainly comprised (i) the government subsidy income related to value-added tax refund (for the six months ended 30 June 2019: approximately RMB18,694,000; for the six months ended 30 June 2018: approximately RMB25,354,000); and (ii) an one-off compensation received from a wind power generation company (for the six months ended 30 June 2019: approximately RMB4,286,000; for the six months ended 30 June 2018: Nil).

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 86% to approximately RMB37,039,000 for the six months ended 30 June 2019 when compared with approximately RMB19,921,000 for the six months ended 30 June 2018. The increase was mainly due to the non-cash and non-operating item on expenses related to share-based payment arising from the issue of convertible bonds incurred for the Reporting Period, offset by decrease in consultancy fee incurred for the Reporting Period.

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, convertible notes and convertible bonds issued by the Group. It amounted to approximately RMB71,977,000 for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately RMB55,578,000). The increase was mainly due to (i) the issuance of convertible bonds on 25 March 2019; and (ii) the increase in interest expenses of convertible notes issued on 11 May 2018 (around 4 months for the Reporting Period; around 2 months for the six months ended 30 June 2018).

Taxation

Taxation decreased from approximately RMB28,336,000 for the six months ended 30 June 2018 to approximately RMB23,528,000 for the six months ended 30 June 2019. The decrease was mainly due to a decrease in income tax provision of Hongsong to approximately RMB27,727,000 (for the six months ended 30 June 2018: approximately RMB31,607,000) for the Reporting Period; and net of a reversal of deferred tax liabilities of approximately RMB4,199,000 (for the six months ended 30 June 2018: approximately RMB3,271,000).

Net Profit

The net profit for the Reporting Period was approximately RMB4,020,000 (for the six months ended 30 June 2018: approximately RMB44,140,000). The decrease in net profit is mainly due to the increase in financial costs for the Reporting Period and the non-cash and non-operating item on expenses related to share-based payment arising from the issue of convertible bonds incurred for the Reporting Period.

Share Capital

As at 30 June 2019, the total number of issued shares capital of the Company comprised 1,799,140,800 ordinary shares of HKD0.01 each (31 December 2018: 1,799,140,800 ordinary shares of HKD0.01 each).

Liquidity and Financial Resources

The cash and bank balances as at 30 June 2019 and 31 December 2018 amounted to approximately RMB122,722,000 (mainly denominated in Renminbi (“RMB”), United States dollar (“USD”) and Hong Kong dollar (“HKD”) of approximately RMB49,017,000, USD22,000 and HKD83,702,000), and approximately RMB62,491,000, respectively.

Total borrowings of the Group as at 30 June 2019 amounted to approximately RMB1,497,664,000 representing an increase of approximately RMB24,067,000 when compared with approximately RMB1,473,597,000 as at 31 December 2018. The increase was the combined effect of 1) issuance of new convertible bonds by the Company on 25 March 2019; 2) redemption of convertible notes due on 11 May 2019; and 3) repayments of bank loans 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 2019 was approximately 0.66 which was comparable to approximately 0.66 as at 31 December 2018. That ratio was calculated by dividing the Group’s total liabilities by its total assets. During the six months ended 30 June 2019, 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 RMB1,497,664,000 as at 30 June 2019 (31 December 2018: approximately RMB1,473,597,000). Among the interest bearing borrowings of the Group, approximately RMB663,767,000 were fixed rate loans and approximately RMB833,897,000 were variable rate loans. The Group had not engaged in any hedging facility against interest rate fluctuations for the six months ended 30 June 2019 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 HKD4,000,000 in total were mature and redeemed (30 June 2018: no additional bonds were issued while bonds with principle amount of HKD2,500,000 in total were mature and redeemed).

As at 30 June 2019 and 31 December 2018, principal amount of approximately HKD177,236,000 and HKD181,236,000 of the Bonds had been issued, respectively.

Extension of Convertible Notes

On 26 May 2016, the Company entered into a placing agreement (the "Placing Agreement") with Get Nice Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure the placee(s) on a best effort basis during the placing period to subscribe for the convertible notes to be issued by the Company of up to an aggregate principal amount of HKD171,600,000 due 2017, with the conversion rights to convert the outstanding principal amount of the convertible notes into ordinary shares of the Company at an initial conversion price of HKD0.65 per conversion share (the "Convertible Notes"). Assuming full conversion of the Convertible Notes, a total of 264,000,000 shares of the Company (the "Conversion Shares") would be allotted and issued, representing (i) approximately 14.67% of the issued share capital of the Company as at the date of the Placing Agreement; and (ii) approximately 12.80% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes.

On 15 June 2016, the Convertible Notes in the aggregate principal amount of HKD171,600,000 were issued by the Company in accordance with the terms of the Placing Agreement. 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 Company intended to apply the net proceeds from the issue of Convertible Notes as to (i) approximately 50% for the consideration of the possible acquisition, other possible acquisition(s) and investments of the Group, and to finance the Group's wind farm development and operation business; (ii) approximately 40% for the repayment of the outstanding loan borrowings of the Group; and (iii) approximately 10% as the Group's general working capital.

As at 31 December 2016, (i) approximately 50% of the net proceeds was used in settlement for investment of the Group and to finance the Group's wind farm development, including the prepayment and deposit for construction works; (ii) approximately 40% of the net proceeds was used in repaying the outstanding loan borrowings of the Group; and (iii) approximately 10% of the net proceeds was used in general working capital.

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

Further details are set out in the announcements of the Company dated 26 May 2016, 15 June 2016, 12 December 2017 and 19 December 2017, respectively.

Issuing of Convertible Bonds

On 31 December 2018, the Company, Filled Converge Limited ("Filled Converge") and Well Foundation Company Limited ("Well Foundation") entered into a subscription agreement, pursuant to which the Company conditionally agreed to issue and (i) Filled Converge conditionally agreed to subscribe for the convertible bonds (the "Convertible Bonds") in the principal amount of HKD294,183,000 and (ii) Well Foundation conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HKD19,612,000. The Convertible Bonds are in aggregation in the amount of HKD313,795,000 due at 2021 and extendable to 2022 at an interest rate of 8 per cent per annum, with the conversion rights to convert the outstanding principal amount of the Convertible Bonds into the Shares at an initial conversion price of HK\$0.485 per conversion share.

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

The Company intended to apply the net proceeds from the issue of Convertible Bonds as to (i) approximately 39 % for the repayment of bank loan(s); (ii) approximately 57% for the redemption of the existing convertible bonds; and (iii) approximately 4% for general working capital of the Group.

On 20 June 2019, the Company applied for the change of use of proceeds, to increase the use of the net proceeds for the general working capital of the Group from HKD12,200,000 to HKD22,200,000. Having the additional HKD10,000,000 be deducted from the previous allocation of the use of the net proceeds on repayment of bank loans.

As at 30 June 2019, approximately 57% and 13% of the net proceeds have already been used for redemption of the convertible notes due on 11 May 2019 and repayment of bank loans respectively.

Further details of the issuance of Convertible Bonds are set out in the announcements of the Company dated 31 December 2018, 1 February 2019, 25 March 2019 and 20 June 2019, and the circular of the Company dated 30 January 2019.

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 2019.

Pledge of Assets

As at 30 June 2019, the Group has pledged certain property, plant and equipment and certain leasehold land including in right-of-use assets with a carrying value of approximately RMB835,058,000 in total (31 December 2018: approximately RMB877,271,000), and trade and other receivables with a carrying value of approximately RMB273,467,000 (31 December 2018: approximately RMB242,996,000) as security for the borrowings obtained by the Group.

As at 30 June 2019, certain shares of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2019, the Group had approximately 140 full-time employees (31 December 2018: approximately 140 employees) in Hong Kong and the PRC in respect of the Group's operations. For the six months ended 30 June 2019, the relevant staff costs (including Directors' remuneration) were approximately RMB19,622,000 (for the six months ended 30 June 2018: approximately RMB18,518,000). 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

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

Further details are set out in the announcements of the Company dated 22 August 2019 and 23 August 2019, respectively.

BUSINESS REVIEW

As a renewable energy enterprise specialised in wind power development and operation, during the first half of 2019, the Group is principally engaged in the businesses of wind farms development and operation as well as wind power generation, and commenced to step into the business in finance sector, such as finance leasing and security trading. Since the mid of year 2016, the Group has also been conducting due diligence on a wind turbine manufacturer which the Group has entered into a memorandum of understanding in respect of a proposed acquisition for further expansion of its down-stream manufacturing business in wind power. The combination of different businesses does not only expand the Group’s various income streams, but each of the businesses also complements each other to facilitate the development and continuous enhancement of the Company’s industrial structure, which will solidify the foundation to reinforce the comprehensive development of its wind power operation.

The year of 2019 is the forth year of implementing the 13th Five-year Plan. Although the situation at home and abroad was grim and complicated, the new norms of China’s economic development were more distinct, signifying the hard-won results of the stabilisation and bottoming out of the economic trend amid a slowdown. China’s Gross Domestic Profit (the “China’s GDP”) retained a growth of 6.6% in 2018, whereas the paradigm of economic growth has been shifting its emphasis to higher efficacy and better quality. As the requirements on environmental and ecological protection become more stringent, China’s clean energy consumption gains importance, the wind power and other new energy industries as the nation’s seven strategic new industries will be getting more policy support after the 13th Five-year Plan takes the stage, China has been recognised as having the largest hydropower, wind power and solar power in terms of installed capacity in the world. In the face

of the new circumstances and in the effort to capture the opportunities of the government's policy reforms, the Company will improve its development quality and efficiency to become a world-class renewable energy enterprise characterised by a large scale, high market share, great contribution to the society, strong profitability, solid competitiveness, and sound sustainability, with the objective of bringing continuous, stable and substantial returns to the Shareholders.

As the People's Republic of China (the "PRC") government pointed out that it was vital for the energy structure to be optimised and adjusted as the transformation of energy development has reached the crucial strategic stage, the wind power industry, which spearheads the renewable energy industry is bound to receive increasing attention. The National Development and Reform Commission ("NDRC") also published the "Administrative Measures on Protective Buyouts of Renewable Energy Power Generation" (《可再生能源發電全額保障性收購管理辦法》) which stipulated the buyouts of on-grid electricity of renewable energy power generation projects within the planned scope by power grid enterprises according to the on-grid tariff and protective buyouts utilisation hours set by the PRC government with market competition mechanism, providing strong external support and policy protection to the business development of the Group. Furthermore, the formulation of the "Administrative Regulations on Trading National Carbon Emission Rights" (《全國碳排放權交易管理條例》) is speeding up, and the NDRC has sent copies of the relevant drafts to ministries such as the China Banking Regulatory Commission and the China Securities Regulatory Commission to solicit opinions. The national carbon emission trading market will kick off if relevant regulations are duly passed, such that the wind power operation business of the Group may receive additional revenues from the sales of carbon emission rights.

For the six months ended 30 June 2019, the Group recorded a net profit of approximately RMB4,020,000 (for the six months ended 30 June 2018: net profit of approximately RMB44,140,000) and the revenue from wind power business of approximately RMB202,839,000 (for the six months ended 30 June 2018: approximately RMB207,445,000). The decline in the net profit is mainly attributable to the increase in financial costs and the non-cash and non-operating item on expenses related to share-based payment arising from the issue of convertible bonds incurred for the Reporting Period. Further analysis of the operating result was included in the Management Discussion and Analysis session of this announcement.

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

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 throughout the six months ended 30 June 2019 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 2019.

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 2019.

INTERIM DIVIDEND

The Directors do not recommend any payment of interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 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 2019.

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 2018 Annual Report of the Company.

No option has been granted under the Scheme during the periods ended 30 June 2019 and 2018.

As at 30 June 2019, no option were outstanding (30 June 2018: 124,920,000 share options were outstanding, and all outstanding balance of share options were subsequently lapsed upon its maturity on 30 July 2018).

Audit Committee

The Company established an audit committee (the “Audit Committee”) which comprises Mr. Jiang Senlin (chairman), Mr. Qu Weidong and Ms. Hu Xiaolin as at the date of this 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 2019. 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 2019.

Publication of Information on the Stock Exchange Website

The 2019 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 2019.

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

Hong Kong, 28 August 2019

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