BAOFENG MODERN INTERNATIONAL HOLDINGS COMPANY LIMITED
寶峰時尚國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1121)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "Board") of directors (the "Directors") of Baofeng Modern International Holdings Company Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2020 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2019 and the relevant explanatory notes as set out below.

The condensed consolidated interim results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**48,240**	99,948
Cost of sales		**(42,232)**	(80,932)
GROSS PROFIT		**6,008**	19,016
Other net income and gains	*4*	**1,732**	988
(Impairment loss)/reversal of impairment loss on trade receivables from sales of goods		**(85)**	191
Selling and distribution expenses		**(3,961)**	(6,494)
General and administrative expenses		**(19,851)**	(24,484)
Amortisation of intangible assets	*10*	**(6,139)**	(26,360)
Finance costs	*5*	**(2,943)**	(3,198)
Fair value gain on investment properties	*9*	**13,964**	–
Fair value gain on provision for contingent consideration at fair value through profit or loss	*14*	**–**	991
LOSS BEFORE TAX	*6*	**(11,275)**	(39,350)
Income tax expense	*7*	**(137)**	(905)
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(11,412)**	(40,255)
LOSS PER SHARE	*8*		
– Basic (RMB)		**(0.008)**	(0.028)
– Diluted (RMB)		**(0.008)**	(0.028)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020** *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**26,755**	49,291
Investment properties	*9*	**59,920**	–
Right-of-use assets		**5,093**	27,351
Intangible assets	*10*	**71,124**	77,255
		162,892	153,897
CURRENT ASSETS			
Inventories		**29,220**	29,367
Trade receivables	*11*	**16,110**	44,784
Prepayments, deposits and other receivables		**18,818**	38,394
Pledged deposits		**2,040**	3,855
Cash and bank balances		**10,746**	4,101
		76,934	120,501
CURRENT LIABILITIES			
Trade and bills payables	*12*	**45,189**	56,856
Deposits received, other payables and accruals		**32,795**	51,553
Short term borrowings	*13*	**121,000**	114,200
Lease liabilities		**418**	604
Income tax payable		**–**	100
		199,402	223,313
NET CURRENT LIABILITIES		**(122,468)**	(102,812)
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,424**	51,085

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**437**	550
Deferred tax liability		**2,297**	2,557
		2,734	3,107
NET ASSETS		**37,690**	47,978
EQUITY			
Share capital	*15*	**99,310**	99,310
Reserves		**(61,620)**	(51,332)
TOTAL EQUITY		**37,690**	47,978

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									
		Reserves								
	Share capital	Share premium	Contributed surplus	Statutory surplus fund	Exchange fluctuation reserve	Capital redemption reserve	Share options reserve	Accumulated losses	Total reserves	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019 (audited)	86,758	563,815	141,376	95,478	155	524	41,800	(615,964)	227,184	313,942
Loss and total comprehensive expense for the period	–	–	–	–	–	–	–	(40,255)	(40,255)	(40,255)
Equity-settled share-based payments	–	–	–	–	–	–	3,653	–	3,653	3,653
Exchange adjustment on share options reserve	–	–	–	–	–	–	233	–	233	233
Completion of subscription of new shares	12,552	30,621	–	–	–	–	–	–	30,621	43,173
At 30 June 2019 (unaudited)	99,310	594,436	141,376	95,478	155	524	45,686	(656,219)	221,436	320,746

For the six months ended 30 June 2020

	Attributable to owners of the Company									
		Reserves								
	Share capital	**Share premium**	**Contributed surplus**	**Statutory surplus fund**	**Exchange fluctuation reserve**	**Capital redemption reserve**	**Share options reserve**	**Accumulated losses**	**Total reserves**	**Total equity**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
At 1 January 2020 (audited)	**99,310**	**594,436**	**141,376**	**95,478**	**155**	**524**	**47,099**	**(930,400)**	**(51,332)**	**47,978**
Loss and total comprehensive expense for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,412)**	**(11,412)**	**(11,412)**
Equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**193**	**–**	**193**	**193**
Exchange adjustment on share options reserve	**–**	**–**	**–**	**–**	**–**	**–**	**931**	**–**	**931**	**931**
At 30 June 2020 (unaudited)	**99,310**	**594,436**	**141,376**	**95,478**	**155**	**524**	**48,223**	**(941,812)**	**(61,620)**	**37,690**

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal places of business are located in Huoju Industrial Zone, Jiangnan Town, Licheng District, Quanzhou City, Fujian Province, the People's Republic of China ("PRC") and Room 504, 5/F, OfficePlus @Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong. The ordinary shares of the Company (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 January 2011.

The principal activity of the Company is investment holding. The Group is engaged in the manufacture and sale of slippers, sandals, casual footwear, graphene-based ethylene-vinyl acetate ("EVA") foam material ("Graphene-based EVA Foam Material") and slippers ("Graphene-based Slippers"), and graphene deodorizing and sterilizing chips for air purifiers and air conditioners ("Sterilizing Chips"). An analysis of the Group's performance for the Period by business segment is set out in note 3 to this interim financial results.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Best Mark International Limited, which was incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Sze Ching Bor.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting issued by the International Accounting Standards Board and the disclosure requirements under Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

As at 30 June 2020, the Group's current liabilities exceeded its current assets by approximately RMB122,468,000. The Group incurred a loss for the Period of approximately RMB11,412,000. At 30 June 2020, the Company's total liabilities exceeds its total assets by approximately RMB147,807,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION *(continued)*

In view of such circumstances, the Directors have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and finance requirements. Certain measures have been taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the followings:

1. The secured bank loans amounting to RMB98,000,000 were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreement. The Group will negotiate with the PRC banks for the renewal of the Group's PRC bank borrowings when they fall due to secure necessary facilities to meet the Group's working capital and financial requirements in the near future. The Directors have evaluated all the relevant facts available to them and are of the opinion that the Group has a good track record or relationship with the banks. In the opinion of the Directors, the Group will be able to roll over or refinance the bank borrowings upon maturity;

2. The Group has obtained a credit facility amounting to RMB35,000,000 in total from an independent third party. The credit facility had been utilised amounting to RMB22,800,000 as at 30 June 2020. The facility would be utilised as the working capital and for financing the ongoing business of the Group;

3. The Group has obtained a loan facility from the independent third party in amount of RMB20,000,000 with a maturity date on 25 March 2022 secured by the Group's property. The facility would be utilised as the working capital and for financing the ongoing business of the Group;

4. The Group will implement operational plans to control costs and general adequate cash flow from the Group's operations; and

5. The Directors have been aware of the capital deficiency of the Company and would consider all available source of funding included, but not limited to, requiring the subsidiaries to declare dividends.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than fifteen months from the date of the condensed consolidated statement of financial position. The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next fifteen months from the date of the condensed consolidated statement of financial position. Accordingly, the Directors are of the opinion that it is appropriate to prepare the Interim Financial Statements for the six months ended 30 June 2020 on a going concern basis.

2. BASIS OF PREPARATION *(continued)*

Should the Group and the Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the Interim Financial Statements.

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements as detailed below:

The Group has adopted the following new and amendments to IFRSs which are effective for the Group's financial year beginning on 1 January 2020.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The Directors consider the application of the new and amendments to IFRSs would not have any material impact on the contents of the Interim Financial Statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. Specifically, the Group's reportable and operating segments are as follows:

(a) the Boree branded products segment manufactures and sells Boree branded slippers, sandals and casual footwear ("Boree Products");

(b) the graphene-based products segment applied the technology know-how by applying graphene in the production of Graphene-based EVA Foam Material and Graphene-based Slippers, and Sterilizing Chips (collectively as "Graphene-based Products"); and

(c) the Original Equipment Manufacturer ("OEM") segment produces slippers for branding and resale by others.

CODM monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted result before tax.

The segment profit or loss represents the profit earned by or loss from each segment without allocation of interest income, other unallocated net income and gains, amortisation of intangible assets, fair value change on investment properties, fair value change on provision for contingent consideration at fair value through profit or loss ("FVTPL"), finance costs as well as corporate and other unallocated expenses.

3. **SEGMENT INFORMATION** *(continued)*

Segment assets exclude property, plant and equipment, investment properties, right-of-use assets, intangible assets, raw materials, work in progress, prepayments, deposits and other receivables, pledged deposits and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude trade and bills payables, certain other payables and accruals, short term borrowings, lease liabilities, income tax payable and deferred tax liability as these liabilities are managed on a group basis.

Period ended 30 June 2020

	Boree Products *RMB'000* **(unaudited)**	**Graphene-based Products** *RMB'000* **(unaudited)**	**OEM** *RMB'000* **(unaudited)**	**Total** *RMB'000* **(unaudited)**
Segment revenue				
Sales to external customers	**1,150**	**412**	**46,678**	**48,240**
Segment results	**(1,279)**	**(133)**	**3,459**	**2,047**
Reconciliation:				
Interest income				**40**
Other unallocated net income and gains				**1,692**
Impairment loss on trade receivables from sales of goods				**(85)**
Corporate and other unallocated expenses				**(19,851)**
Amortisation of intangible assets				**(6,139)**
Fair value gain on investment properties				**13,964**
Finance costs				**(2,943)**
Loss before tax				**(11,275)**

3. **SEGMENT INFORMATION** *(continued)*

As at 30 June 2020

	Boree Products *RMB'000* **(unaudited)**	**Graphene-based Products** *RMB'000* **(unaudited)**	**OEM** *RMB'000* **(unaudited)**	**Total** *RMB'000* **(unaudited)**
Segment assets	**791**	**1,173**	**22,901**	**24,865**
Reconciliation:				
Corporate and other unallocated assets				**214,961**
Total assets				**239,826**
Segment liabilities	**300**	**–**	**–**	**300**
Reconciliation:				
Corporate and other unallocated liabilities				**201,836**
Total liabilities				**202,136**

Period ended 30 June 2019

	Boree Products *RMB'000* (unaudited)	Graphene-based Products *RMB'000* (unaudited)	OEM *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Segment revenue				
Sales to external customers	1,110	546	98,292	99,948
Segment results	(855)	(196)	13,573	12,522
Reconciliation:				
Interest income				45
Other unallocated net income and gains				943
Reversal of impairment loss on trade receivables from sales of goods				191
Corporate and other unallocated expenses				(24,484)
Amortisation of intangible assets				(26,360)
Fair value gain on provision for contingent consideration at FVTPL				991
Finance costs				(3,198)
Loss before tax				(39,350)

3. **SEGMENT INFORMATION** *(continued)*

As at 31 December 2019

	Boree Products *RMB'000* (audited)	Graphene-based Products *RMB'000* (audited)	OEM *RMB'000* (audited)	Total *RMB'000* (audited)
Segment assets	1,647	3,778	53,407	58,832
Reconciliation:				
Corporate and other unallocated assets				215,566
Total assets				274,398
Segment liabilities	300	–	–	300
Reconciliation:				
Corporate and other unallocated liabilities				226,120
Total liabilities				226,420

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2020 ***RMB'000*** **(unaudited)**	2019 *RMB'000* (unaudited)
PRC (principal place of operations)	**3,060**	4,406
United States of America ("US")	**41,106**	93,398
South America	**84**	307
Europe	**1,898**	415
South East Asia	**104**	161
Other countries	**1,988**	1,261
	48,240	99,948

The revenue information above is based on the locations of the customers.

3. SEGMENT INFORMATION *(continued)*

(b) Non-current assets

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
PRC (principal place of operations)	**162,892**	153,897

The non-current assets information above is based on the locations of the assets.

Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total sales of the Group are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Customer A	**27,719**	47,456
Customer B*	**9,064**	6,088
Customer C#	**1,615**	33,744

* Revenue from Customer B contributed less than 10% of the total sales of the Group for the period ended 30 June 2019.

Revenue from Customer C contributed less than 10% of the total sales of the Group for the Period.

The Group's major customers are in the OEM segment.

4. REVENUE, OTHER NET INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

4. REVENUE, OTHER NET INCOME AND GAINS *(continued)*

An analysis of revenue, other net income and gains is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
Manufacture and sale of goods	**48,240**	99,948
Other net income and gains		
Interest income	**40**	45
Sales of scrap materials	**99**	261
Sales of semi-products	**22**	–
Rental income from investment properties	**788**	–
Rental income under operating leases	**527**	184
Subsidy income	**118**	498
Others	**138**	–
	1,732	988

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank loans and other borrowings	**2,917**	3,046
Interest on letter of credit	**–**	111
Interest on lease liabilities	**26**	41
	2,943	3,198

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting) the following items:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold*	**42,007**	81,007
Depreciation of property, plant and equipment*	**3,121**	3,028
Depreciation of right-of-use assets*	**375**	647
Amortisation of intangible assets	**6,139**	26,360
Operating lease rentals*	**979**	220
Employee benefit expenses (including directors' remuneration)*:		
Wages and salaries	**20,524**	25,328
Equity-settled share based payments	**193**	3,653
Staff welfares	**382**	438
Contributions to retirement benefits schemes	**785**	1,456
	21,884	30,875
Impairment loss/(reversal of impairment loss) on trade receivables from sales of goods	**85**	(191)
Write-down/(reversal of write-down) of inventories	**225**	(75)
Loss on disposal of items of property, plant and equipment	**27**	–
Exchange loss, net	**1,172**	325
Research and development costs**	**5,104**	4,971

* *The cost of inventories sold for the Period includes approximately RMB12,960,000 (2019: RMB17,063,000) relating to direct staff costs, depreciation of manufacturing facilities, depreciation of right-of-use assets and operating lease rentals in respect of land and buildings, which are also included in the respective total amounts disclosed above for each of these types of expenses.*

** *The research and development costs are included in "General and administrative expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.*

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – PRC Enterprise Income Tax		
Charge for the period	**200**	450
Under-provisions in prior years	**197**	378
Deferred tax	**(260)**	77
Total tax expense for the period	**137**	905

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for the Period (2019: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing rates, based on existing legislation, interpretations and practices in respect thereof.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss for the Period attributable to owners of the Company of approximately RMB11,412,000 (2019: RMB40,255,000) and the weighted average number of Shares of 1,486,859,608 (2019: 1,420,203,254) in issue during the Period.

The weighted average number of Shares used to calculate the basic loss per share for the Period included the 1,486,859,608 Shares in issue as at 1 January 2020 and 30 June 2020.

The weighted average number of Shares used to calculate the basic loss per share for the period ended 30 June 2019 included the 1,304,059,608 Shares in issue as at 1 January 2019 and 182,800,000 Shares issued on 8 March 2019 in respect of the completion of subscription of new shares.

During the periods ended 30 June 2020 and 2019, diluted loss per share does not assume the exercise of the Company's share options as the exercise of the Company's share options would result in a decrease in loss per share, and is regarded as anti-dilutive.

9. INVESTMENT PROPERTIES

	RMB'000
As at 1 January 2020	–
Transfer from construction in progress	24,073
Transfer from right-of-use assets	21,883
Fair value gain on investment properties	13,964
As at 30 June 2020	59,920

The Group's properties located in the PRC are leased to a third party to earn rental or for capital appreciation purposes, which are measured using the fair value model and is classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 30 June 2020 has been arrived at on the basis of a valuation carried out by Quanzhou Heyi Assets and Real Estate Appraisal Co., Ltd, an independent professional valuer. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties.

The Group has pledged certain of investment property with a net carrying amount of approximately RMB30,200,000 to secure general banking facilities granted to the Group.

10. INTANGIBLE ASSETS

	Technology Know-how *(Notes a, c)* *RMB'000*	O2O distribution vending system *(Notes b, c)* *RMB'000*	Deferred development costs *(Note d)* *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2019	1,587,518	60,000	92,553	1,740,071
Addition during the year	–	–	24	24
At 31 December 2019 and 1 January 2020	1,587,518	60,000	92,577	1,740,095
Addition during the Period	–	–	8	8
At 30 June 2020	1,587,518	60,000	92,585	1,740,103
Accumulated amortisation and impairment:				
At 1 January 2019	1,299,518	11,560	64,747	1,375,825
Provided for the year	39,273	6,605	6,842	52,720
Impairment loss for the year	187,727	25,835	20,733	234,295
At 31 December 2019 and 1 January 2020	1,526,518	44,000	92,322	1,662,840
Provided for the Period	4,816	1,263	60	6,139
At 30 June 2020	1,531,334	45,263	92,382	1,668,979
Net carrying amount:				
At 30 June 2020	56,184	14,737	203	71,124
At 31 December 2019	61,000	16,000	255	77,255

Notes:

(a) It represented certain technological know-how in respect of the application of graphene and includes one patent in the US ("US Patent"), four invention patent applications, three utility model patent applications and two utility model patents in the PRC (collectively as "PRC Patents"), relating to the manufacturing of Graphene-based EVA Foam Material, Sterilizing Chips and graphene-based pressure-sensitive sensors and the exclusive formula (collectively "Technology Know-how"), which was acquired from Bluestone Technologies (Cayman) Limited ("Bluestone"), an independent third party, in 2015.

10. INTANGIBLE ASSETS *(continued)*

Notes: (continued)

(a) *(continued)*

The completion date of the transaction ("Completion Date") was 16 December 2015. The cost of the Technology Know-how was determined by the Directors and represented the sum of the cash consideration, the fair value of the convertible notes and provision for contingent consideration at the acquisition date (note 14), and the capitalised transaction costs arising directly from the acquisition of the Technology Know-how. The Group's first graphene application products mass production line was completed and commenced trial production in late May 2016, and mass production has already been commenced in July 2016.

The Technology Know-how has definite useful lives and is amortised over 10 years using the straight-line method.

The Directors conducted an impairment assessment on the Technology Know-how and considered that there was no impairment to the carrying amount of the Technology Know-how as at 30 June 2020.

(b) In July 2016, the Group acquired the design of Online-to-Offline ("O2O") distribution vending system at the consideration of RMB60,000,000 from two independent third parties. Directors consider that the O2O distribution vending system would provide customers with an interactive and unique shopping experience, enhance the distribution channel of the products made by the Group and establish the core technical competitiveness of the Group.

The O2O distribution vending system has definite useful lives and is amortised over 9 years using the straight-line method.

The Directors conducted an impairment assessment on the O2O distribution vending system and considered that there was no impairment to the carrying amount of the O2O distribution vending system as at 30 June 2020.

(c) The Directors consider that O2O distribution vending system is a contributory asset necessary to support the earnings associated with the Technology Know-how, being the smallest identifiable group of assets that generates earnings that are largely independent of the earnings from other assets.

(d) In July 2016, the Group engaged several independent third parties in the research and development of manufacturing and application technology of graphene material on Sterilizing Chips, energy storage materials for batteries and pressure-sensitive lighting devices for shoes. The Directors seek the opportunities in applying the graphene material in products other than shoes and plan to launch in future.

The Sterilizing Chips has definite useful lives and is amortised over 5 years using the straight-line method.

The Directors conducted an impairment assessment on the Sterilizing Chips and considered that the future economic benefits attributable to the Sterilizing Chips is premature and provision for impairment of approximately RMB20,733,000 was made as at 31 December 2019.

As at 30 June 2020, the carrying amount represented the cost of acquisition of patents for research and development of manufacturing and application technology of graphene material on certain products.

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period offered to its customers is generally for a period of three to six months. The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the Group's trade receivables, net of allowance for credit losses as at the end of the reporting period, based on the invoice dates, is as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**6,145**	39,440
4 to 6 months	**8,958**	3,637
7 to 12 months	**1,007**	1,707
	16,110	44,784

12. TRADE AND BILLS PAYABLES

An aging analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice dates, is as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**18,719**	41,913
Over 3 months	**26,470**	14,943
	45,189	56,856

The trade payables are non-interest-bearing and are normally settled on six months terms (31 December 2019: six months). Bills payables of approximately RMB6,800,000 (31 December 2019: RMB12,850,000) were secured by the Group's pledged deposits amounted to approximately RMB2,040,000 (31 December 2019: RMB3,855,000).

13. SHORT TERM BORROWINGS

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Secured bank loans repayable within one year	**98,000**	98,000
Unsecured loans repayable within one year	**23,000**	16,200
	121,000	114,200

(a) At 30 June 2020 and 31 December 2019, the loans were denominated in Renminbi and bore interest rates ranging from 4.35% – 5.22% per annum.

(b) At 30 June 2020, the secured bank loans of the Group were secured by a pledge of the Group's buildings with carrying amount of approximately RMB4,835,000 (31 December 2019: RMB6,096,000), leasehold lands and certain of investment property with carrying amounts of approximately RMB4,267,000 and approximately RMB30,200,000 (31 December 2019: leasehold land of RMB26,223,000). In addition, the bank loans were secured by guarantees provided by an independent third party, a director of the Company and his son.

14. PROVISION FOR CONTINGENT CONSIDERATION

In connection with the acquisition of the Technology Know-how as explained in note 10, provision for contingent consideration as at 31 December 2015 represented the acquisition-date fair value of contingent consideration of i) a maximum of approximately RMB1,289,409,836 in cash ("Cash Consideration"); and ii) the contingent convertible notes ("Contingent CNs") with principal amount of HK$73,920,000 (equivalent to approximately RMB60,590,164), which will be issued by the Company after fulfilment of certain conditions specified in the acquisition agreement signed on 14 October 2015 ("Acquisition Agreement"), as part of the consideration for the acquisition of the Technology Know-how.

The settlement of Cash Consideration and the Contingent CNs is subject to the following conditions:

"Second Instalment Conditions" refer to (a) the registration of the transfer of the PRC Patents and the US Patent having been completed in the State Intellectual Property Office of the PRC and the United States Patent and Trademark Office respectively, such that the Company having become the applicant of the PRC Patents (or if the PRC Patents are granted, the Company having become the PRC Patents owner) under the record of the State Intellectual Property Office of the PRC, and the Company having become the US Patent owner under the record of the United States Patent and Trademark Office; and (b) the training provided by Bluestone to the technicians of the Group and its contracted parties having been completed, such that the Group and its contracted parties having been able to produce graphene-based EVA foam material and graphene deodorizing and sterilizing chips based on the Technology Know-how independently, and the graphene-based EVA foam material and graphene deodorizing and sterilizing chips produced having been certified by an independent technical organisation at provincial level or above to meet the inspection standard as stipulated under the Acquisition Agreement.

14. PROVISION FOR CONTINGENT CONSIDERATION *(continued)*

Upon fulfilment of the Second Instalment Conditions, the second instalment in the amount of RMB450,000,000 should be payable by the Company, of which (a) RMB389,409,836 should be paid in cash within 6 months after fulfilment of the Second Instalment Conditions; and (b) RMB60,590,164 should be satisfied by issuing the convertible notes with principal amount of HK$73,920,000 to Bluestone or its nominee(s) within 15 business days after the fulfilment of the Second Instalment Conditions.

"Third Instalment Conditions" refer to (a) the accumulated turnover of a special purpose vehicle ("SPV") to be established by the Group for the sales of graphene-based EVA foam material, graphene deodorizing and sterilizing chips and graphene-based wearable devices manufactured using the Technology Know-how and/or any other companies (other than companies of the Group) authorised to use the Technology Know-how having reached RMB40,000,000; and (b) the sales volume of graphene-based EVA foam material having reached 20,000 cubic meters, each within 9 months after the Completion Date (or such later date as the Company may agree).

Upon fulfilment of the Second Instalment Conditions and the Third Instalment Conditions, the third instalment in the amount of RMB270,000,000 should be payable by the Company in cash to Bluestone or its nominee(s) within 15 business days after the fulfilment of the Third Instalment Conditions.

Second Instalment Conditions and Third Instalment Conditions had been fulfilled and the Company had paid RMB389,409,836 by way of cash and RMB60,590,164 by way of issuing the convertible notes and RMB270,000,000 by way of cash on 2 February 2016 and 8 September 2016 respectively.

Pursuant to the Acquisition Agreement, upon fulfilment of the Second Instalment Conditions and the Third Instalment Conditions, Bluestone is entitled to share 35% of the earnings before interests, taxes, depreciation and amortisation ("EBITDA") of the SPV for the 6-month period ended 30 June or 31 December of each year ("Interim Financial Period") starting from the year the Second Instalment Conditions and the Third Instalment Conditions are fulfilled and each subsequent Interim Financial Period (until the end of the sixth financial year ending 31 December from the Completion Date), subject to a maximum sharing amount of RMB630,000,000 (the "EBITDA Sharing Mechanism").

For the avoidance of doubt, the financial year in which the Completion Date ending on would be considered as the first financial year for the purpose of the EBITDA Sharing Mechanism. During the period under the EBITDA Sharing Mechanism, for each Interim Financial Period, the Company should appoint an independent auditor to issue a certificate for the EBITDA of the SPV during the relevant Interim Financial Period within 4 months from the end of such Interim Financial Period, and the sharing amount shall be paid by the Company in cash to Bluestone or its nominee(s) within 15 business days after the issuance of such certificate. Any license fees for the Technology Know-how payable by the SPV to the Group will be disregarded in the calculation of the EBITDA.

14. PROVISION FOR CONTINGENT CONSIDERATION *(continued)*

If the accumulated EBITDA of the SPV during the period under the EBITDA Sharing Mechanism is less than RMB1,800,000,000 (for the purpose, if the SPV records a loss in any Interim Financial Period, the EBITDA of the SPV of that Interim Financial Period would be regarded as zero in calculating the accumulated EBITDA), the total sharing amount under the EBITDA Sharing Mechanism will be less than RMB630,000,000 and the Company is not obligated to pay the shortfall between RMB630,000,000 and 35% of the actual accumulated EBITDA of the SPV during the period under the EBITDA Sharing Mechanism.

Provision for contingent consideration as at 30 June 2020 represented the contingent cash consideration payable to Bluestone or its nominee(s) under the EBITDA Sharing Mechanism.

The movements of the provision for contingent consideration were as follows:

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
As at the beginning of the Period/year	**–**	4,769
Fair value gain credited to profit or loss during the Period/year	**–**	(4,769)
As at the end of the Period/year	**–**	–

The fair value of the provision for contingent consideration is calculated using the discounted cash flow approach (31 December 2019: discounted cash flow approach). The discount rate used in the approach as at 30 June 2020 was 19.85% (31 December 2019: ranging from 14.84%-14.86%).

The provision for contingent consideration is classified as a financial liability which will then be measured at fair value and any changes in fair value will be recognised in the consolidated statement of profit or loss.

The Directors conducted a fair value assessment of the provision for contingent consideration as at 30 June 2020, with reference to a valuation conducted by an independent professional valuer, Ascent Partners Valuation Service Limited.

15. SHARE CAPITAL

The details of the authorised and issued share capital of the Company are as follows:

	Number of ordinary shares of US$0.01 each	**Nominal value of ordinary shares** *US$'000*	**Nominal value of ordinary shares** *RMB'000*
Authorised:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	5,000,000,000	50,000	342,400
Issued and fully paid:			
At 1 January 2019	1,304,059,608	13,041	86,758
Completion of subscription of new Shares	182,800,000	1,828	12,552
At 31 December 2019, 1 January 2020 and 30 June 2020	1,486,859,608	14,869	99,310

As disclosed in the Company's announcements dated 9 November 2018, 12 November 2018, 8 March 2019 and 29 May 2019, two independent subscribers subscribed for a total of 182,800,000 new Shares at a subscription price of HK$0.27 per subscription share which were completed on 8 March 2019 (the "Subscription"). The net proceeds from the Subscription (after deducting the relevant expenses incurred in the Subscription) was approximately HK$49,136,000 (equivalent to approximately RMB42,982,000).

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Fees	**54**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**988**	996
Contributions to retirement benefits schemes	**21**	16
	1,009	1,012

MANAGEMENT DISCUSSION AND ANALYSIS

Although the production of the Group have fully resumed, the global outbreak of the novel coronavirus ("COVID-19") epidemic and the associated lockdowns and social distancing measures have severely affected the consumer demand and the quantity ordered, resulting in a decline in the sales of the Group, especially for the OEM Business, in the first half of the year. During the Period, the Group recorded a decrease in revenue of approximately RMB51.7 million or 51.7% to approximately RMB48.2 million (2019: RMB99.9 million).

Due to the contraction in the consumer demand, some major customers of the OEM Business asked for price cut, the Group was forced to reduce its gross profit margin to retain existing customers. Therefore, the gross profit margin of the Group dropped to approximately 12.5% for the Period as compared to approximately 19.0% for the corresponding period in 2019.

The Group recorded a net loss for the Period of approximately RMB11.4 million, as compared with the net loss of approximately RMB40.3 million of last corresponding period. Such decrease in net loss was mainly attributable to (i) decrease in amortisation of intangible assets of approximately RMB20.3 million; (ii) fair value gain on investment properties of approximately RMB14.0 million; (iii) decrease in employee benefit expenses of approximately RMB9.0 million; net-off by (iv) decrease in gross profit of approximately RMB13.0 million.

FINANCIAL REVIEW

Revenue by Product Category

	Six months ended 30 June		
	2020	2019	Increase/
	RMB'000	*RMB'000*	(decrease)
	(unaudited)	(unaudited)	*% change*
Revenue (Boree Products)	**1,150**	1,110	3.6%
Revenue (Graphene-based Products)	**412**	546	(24.5)%
Revenue (OEM Business)	**46,678**	98,292	(52.5)%
Revenue (Total)	**48,240**	99,948	(51.7)%

During the Period, the revenue of the Group decreased by approximately RMB51.7 million or 51.7% to approximately RMB48.2 million (2019: RMB99.9 million). Revenue of Boree Products remained stable, maintaining similar sales level of approximately RMB1.1 million as compared with the corresponding period of last year (2019: RMB1.1 million).

The global outbreak of the COVID-19 epidemic and the associated lockdowns and social distancing measures have a serious impact on consumer demand for non-essential retail goods. Therefore, the Group's major OEM customers in the US requested to postpone the delivery time of some orders, resulting in a drop in revenue of 52.5% to approximately RMB46.7 million (2019: RMB98.3 million). The gross profit margin of the OEM Business was also greatly reduced as some major customers of the OEM Business asked for price cut, the Group was forced to reduce its gross profit margin to retain existing customers.

Revenue of Graphene-based Products amounted to approximately RMB0.4 million (2019: RMB0.5 million) during the Period. Due to the outbreak of the COVID-19 epidemic, the launch of the new generation of do-it-yourself automated vending system was delayed to August 2020. As a result, revenue of Graphene-based Products slightly decreased during the Period. However, as the epidemic has bolstered the growing trend of customers staying at home and shopping online, the Group allocated more resources on online sales in the PRC and focused on the design and sales of indoor slippers. The newly launched indoor graphene-based sterilizing slippers "Graphener" were favored by consumers and the sales are expected to grow continuously in the second half of the year.

Selling and Distribution Expenses

During the Period, selling and distribution expenses decreased by 39.0% to approximately RMB4.0 million as compared with that of last corresponding period (2019: RMB6.5 million), which accounted for 8.2% (2019: 6.5%) of the Group's revenue. The decrease was mainly attributable to the decline in sales during the Period.

General and Administrative Expenses

General and administrative expenses recorded a decrease of approximately RMB4.6 million or 18.9% to approximately RMB19.9 million for the Period (2019: RMB24.5 million), which was mainly attributable to the decrease in share-based payment expenses of approximately RMB3.5 million in relation to the share options granted by the Company.

Liquidity and Financial Resources

During the Period, net cash inflow from operating activities of the Group amounted to approximately RMB6.0 million, representing an increase of approximately RMB4.0 million or 200.7% compared with that of last corresponding period (2019: RMB2.0 million). As at 30 June 2020, cash and bank balances were approximately RMB10.7 million, representing an increase of 162.0% as compared with approximately RMB4.1 million as at 31 December 2019. As at 30 June 2020, around 90.6% and 7.4% of the Group's cash and bank balances were denominated in Renminbi and US dollars respectively. As at 30 June 2020, the short term borrowings of the Group were approximately RMB121.0 million (31 December 2019: RMB114.2 million). All loans were denominated in Renminbi with fixed interest rates and repayable within one year.

As at 30 June 2020, the gearing ratio of the Group was 530.2% (31 December 2019: 466.4%). Gearing ratio was calculated as total debt divided by the total equity. Total debt refers to the total liability minus the sum of tax payable, dividend payable and deferred tax liability.

Capital Structure

As at 1 January 2020 and 30 June 2020, the Company had 1,486,859,608 Shares in issue and a paid-up capital of approximately RMB99,310,000.

Significant Investments, Material Acquisitions and Disposals

During the Period, the Group did not have any other significant investments, material acquisitions and disposals.

Pledge of Assets

As at 30 June 2020, the bills payables were secured by a pledge of the Group's time deposits amounting to approximately RMB2.0 million (31 December 2019: RMB3.9 million). As at 30 June 2020, the bank borrowings of the Group were secured by a pledge of the Group's buildings with carrying amount of approximately RMB4.8 million (31 December 2019: RMB6.1 million), leasehold lands and certain of investment property with carrying amounts of approximately RMB4.3 million and approximately RMB30.2 million (31 December 2019: leasehold land of RMB26.2 million).

Contingent Liabilities

As at 30 June 2020 and 31 December 2019, there were no material contingent liabilities.

Foreign Exchange Risk

During the Period, the revenue of the Group were mainly denominated in US dollars and Renminbi. The cost of sales and operating expenses were mainly denominated in Renminbi. Management of the Group monitors the foreign exchange risk and will consider hedging significant foreign currency risk exposure if necessary.

Debt Ratio

As at 30 June 2020, the debt ratio of the Group was 84.1% (31 December 2019: 82.3%). Debt ratio was calculated as total debt divided by the total equity plus total debt. Total debt refers to the total liability minus the sum of tax payable, dividend payable and deferred tax liability.

Human Resources

As at 30 June 2020, the Group had a total of approximately 530 employees (31 December 2019: 740 employees), with total staff costs for the Period, including directors' remuneration, amounted to approximately RMB21,884,000 (2019: RMB30,875,000). The Group's emolument policies are based on the merit, qualifications and competence of individual employee and are reviewed by the remuneration committee periodically. The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. The Company also adopted a share option scheme on 8 January 2011 to motivate and reward its Directors and eligible employees.

Use of Net Proceeds From the Subscription of New Shares

As disclosed in the Company's announcements dated 9 November 2018, 12 November 2018, 8 March 2019 and 29 May 2019, Venus Capital Fund and Mr. Chiu Hsin-Wang, the two independent subscribers, subscribed for a total of 182,800,000 new Shares of US$0.01 each at a subscription price of HK$0.27 per subscription share which were completed on 8 March 2019 (the "Subscription"). The closing market price was HK$0.33 per Share on the date on which the terms of the Subscription were fixed. The gross proceeds from the Subscription was approximately HK$49,356,000 (equivalent to approximately RMB43,175,000), and the net proceeds (after deducting the relevant expenses incurred in the Subscription) was approximately HK$49,136,000 (equivalent to approximately RMB42,982,000). The net subscription price, after deducting relevant expenses, was approximately HK$0.27 per subscription share.

The Directors considered that the Subscription represented an opportunity to raise additional funding for research and development of carbon-based energy storage batteries in order to develop new markets and new business, and provide working capital to the Group to meet any financial obligations of the Group.

The utilisation of the net proceeds as at 30 June 2020 is set out as follows:

Nature	Intended use of the net proceeds	Amount of the net proceeds utilised up to 31 December 2019	Amount of the net proceeds utilised during the period ended 30 June 2020	Balance of the net proceeds unutilised as at 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Research and development of carbon application products *(Note 1)*	18,853	15,709	612	2,532
Settlement of payables owing to Bluestone *(Note 2)*	8,678	8,678	–	–
General working capital *(Note 3)*	15,451	15,451	–	–
Total:	42,982	39,838	612	2,532

Notes:

1. After detailed research on equipment procurement, the Group decided to use production equipment from battery manufacturers in the market for the Group's production, so it only needs to set up a battery research and development line which requires less fund than expected. As a result, the intended use of the net proceeds of approximately HK$9,971,000 (equivalent to approximately RMB8,678,000) was changed to "Settlement of payables owing to Bluestone" and approximately HK$9,000,000 (equivalent to approximately RMB7,726,000) was changed to "General working capital" respectively from the original intended use for the "Research and development of carbon application products" during the year ended 31 December 2019. It is expected that the remaining balance of the net proceeds allocated for the "Research and development of carbon application products" will be utilised in the financial year ending 31 December 2020.

2. After detailed research on equipment procurement, the Group decided to use production equipment from battery manufacturers in the market for the Group's production, so it only needs to set up a battery research and development line which requires less fund than expected. As a result, the intended use of the net proceeds of approximately HK$9,971,000 (equivalent to approximately RMB8,678,000) was changed from "Research and development of carbon application products" to "Settlement of payables owing to Bluestone" during the year and was fully utilised during the year ended 31 December 2019.

3. After detailed research on equipment procurement, the Group decided to use production equipment from battery manufacturers in the market for the Group's production, so it only needs to set up a battery research and development line which requires less fund than expected. As a result, the intended use of the net proceeds of approximately HK$9,000,000 (equivalent to approximately RMB7,726,000) was changed from "Research and development of carbon application products" to "General working capital" during the year ended 31 December 2019. The balance of the net proceeds allocated for the "General working capital" was fully utilised during the year ended 31 December 2019.

BUSINESS REVIEW AND FUTURE PROSPECTS

The revenue of the Group for the Period was approximately RMB48.2 million, representing a drop of approximately RMB51.7 million in comparison to approximately RMB99.9 million for the corresponding period in 2019, which was due to the decrease in revenue of OEM Business. Due to the global outbreak of the COVID-19 epidemic and the associated lockdowns and social distancing measures, the consumer demand for non-essential retail goods was severely affected. Thus the Group's major OEM customers in the US requested to postpone the delivery time of some orders, resulting in a decrease in revenue of approximately RMB51.6 million in the OEM Business. The Group expects the delayed customers orders in the first half of the year will gradually resume in the second half of the year. Based on the information currently available, the sales of the OEM Business in July and August are expected to increase year-on-year.

Due to the lockdowns and social distancing measures, more people are forced to stay at home. Instead of shopping in physical stores, more and more people choose to shop online. In view of this, the Group allocated more resources on online sales in the PRC and focused on the design and sales of indoor slippers. The newly launched indoor graphene-based sterilizing slippers "Graphener" were favored by consumers and the sales are expected to grow continuously in the second half of the year.

For other graphene application products, the Group has launched three models of air sterilizers "Graphenix" and has sent samples to an overseas well-known producer of air conditioning system for testing and recognition. Graphenix is specially designed to kill viruses and bacteria that cause allergies and respiratory system discomfort and different models are designed for household and for places with strict requirements on air quality, such as workplace, studio, and other demanding indoor environment. The feedback from this customer is positive and a first order of small quantity is received. The Group is negotiating with this customer on the terms and expects a bigger order would be placed by this customer in the second half of the year. As there is a strong demand in the public for air purifier and sterilizer due to the outbreak of the epidemic, the Group expects the air sterilizer "Graphenix" would become the key product of the Graphene-based Products segment in the future.

After paying continuous effort and capital investment in the past few years, the Group gradually transformed from a traditional manufacturing company to a material technology company and started to diversify our business to environmental protection and energy related field. The Group set up a carbon-based energy storage batteries research and development line in the first half of 2019. The Group has sent samples to our cooperative parties for joint production for testing and met all the required standards in the first round testing and targets to complete all testings in 2020. The Group aims to produce low cost and long useful life carbon-based energy storage batteries including energy storage batteries for solar power stations and grid systems, and batteries for electric vehicles and expects to further reduce the cost and extend the useful life of carbon-based energy storage batteries in the second half of 2020. After the mass production, the Group would be able to enter the energy storage industry, which would become the driving force of higher profit growth for the future.

OTHER INFORMATION

Interim Dividend

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

Corporate Governance

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value.

Throughout the Period, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, save for the deviations as detailed below. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Code Provision A.2.1 stipulates that the roles of the Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The Company deviates from this provision because Mr. Zheng Jingdong has been performing both the roles of Chairman and Chief Executive Officer. The Directors consider that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors and therefore has a strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and each of them confirmed that they have complied with the required standards set out in the Model Code during the Period.

AUDIT COMMITTEE

The audit committee was established by the Board on 8 January 2011 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our Group's financial reporting process and risk management and internal control systems, effectiveness of the Group's internal audit function and review and monitor appointment of the auditors and their independence.

The audit committee comprises three independent non-executive Directors, namely Mr. Chen Shaohua, Professor Zhao Jinbao and Ms. An Na, and Mr. Chen Shaohua is the chairperson of the audit committee. The unaudited condensed consolidated interim financial statements of the Group for the Period have been reviewed by the audit committee.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement for the Period is available for viewing on the website of the Stock Exchange and the website of the Company at http://www.baofengmodern.com. The interim report of the Company will be dispatched to shareholders of the Company in due course.

On behalf of the Board
Baofeng Modern International Holdings Company Limited
Zheng Jingdong
Chairman

Hong Kong, 28 August 2020

As at the date of this announcement, the executive Directors are Mr. Zheng Jingdong and Mr. Leung Tsz Chung; the non-executive Director is Ms. Lin Weihuan; and the independent non-executive Directors are Ms. An Na, Mr. Chen Shaohua and Professor Zhao Jinbao.