China Baofeng (International) Limited
中國寶豐(國際)有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3966)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

- Revenue of the Group for the six months ended 30 June 2020 amounted to approximately RMB462.8 million, representing an increase of approximately 1.5% as compared with the corresponding period of last year.

- Gross profit of the Group for the six months ended 30 June 2020 amounted to approximately RMB278.5 million, representing an increase of approximately 7.3% as compared with the corresponding period of last year.

- EBITDA of the Company (a non-HKFRS measure) for the six months ended 30 June 2020 was approximately RMB321.8 million, representing an increase of approximately 30.8% as compared with the corresponding period of last year.

- Profit attributable to the owners of the Company for the six months ended 30 June 2020 was approximately RMB185.5 million, representing a decrease of approximately 2.5% as compared with the corresponding period of last year.

- Earnings per share for the six months ended 30 June 2020 was RMB27.94 cents (30 June 2019: RMB28.66 cents).

- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

The board (the "**Board**") of directors (the "**Directors**") of China Baofeng (International) Limited (the "**Company**") (collectively with its subsidiaries, the "**Group**") is pleased to present the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020 together with the unaudited comparative figures for the corresponding period in 2019 as follows:

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	*3*	**462,835**	455,956
Cost of sales		**(184,365)**	(196,402)
Gross profit		**278,470**	259,554
Other income and other gains		**28,475**	17,190
Selling expenses		**(7,908)**	(10,949)
Administrative and other expenses		**(30,196)**	(34,890)
Finance costs	*4*	**(71,641)**	(14,089)
Profit before taxation	*5*	**197,200**	216,816
Income tax expense	*6*	**(11,703)**	(26,579)
Profit for the period		**185,497**	190,237
Other comprehensive income (expense) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**978**	(342)
		978	(342)
Total comprehensive income for the period		**186,475**	189,895
Earnings per share – Basic	*8*	**27.94 cents**	28.66 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	*9*	**2,225,180**	2,274,877
Right-of-use assets	*9*	**15,103**	17,482
Rental deposit		**1,180**	1,167
Deposit for other borrowing		**20,400**	20,400
Deferred tax asset		**476**	397
Intangible asset		**293**	333
		2,262,632	2,314,656
Current Assets			
Inventories		**19,228**	16,423
Trade and other receivables	*10*	**315,320**	348,555
Contract assets	*11*	**1,747,560**	1,467,556
Bank balances and cash		**190,683**	183,767
		2,272,791	2,016,301
Current Liabilities			
Trade and other payables	*12*	**79,335**	77,572
Lease liabilities		**5,438**	5,441
Provision		**17,740**	13,998
Amount due to a photovoltaic facilities provider	*13*	**927,944**	–
Tax payable		**18,159**	7,594
Other borrowing	*14*	**104,199**	31,927
		1,152,815	136,532
Net Current Assets		**1,119,976**	1,879,769
Total Assets less Current Liabilities		**3,382,608**	4,194,425

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current Liabilities			
Lease liabilities		**11,126**	13,381
Other borrowing	*14*	**1,545,636**	1,633,581
Amount due to a photovoltaic facilities provider	*13*	**–**	908,071
Deferred tax liability		**125**	146
		1,556,887	2,555,179
Net assets		**1,825,721**	1,639,246
Capital and Reserves			
Share capital	*15*	**5,515**	5,515
Reserves		**1,820,206**	1,633,731
Total Equity		**1,825,721**	1,639,246

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note b)	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020 (audited)	**5,515**	**458,895**	**(1)**	**143,795**	**5,672**	**1,025,370**	**1,639,246**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**185,497**	**185,497**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**978**	**–**	**978**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**978**	**185,497**	**186,475**
Transfer	**–**	**–**	**–**	**18,384**	**–**	**(18,384)**	**–**
At 30 June 2020 (unaudited)	**5,515**	**458,895**	**(1)**	**162,179**	**6,650**	**1,192,483**	**1,825,721**
At 1 January 2019 (audited)	5,515	458,895	(1)	109,778	3,919	882,008	1,460,114
Profit for the period	–	–	–	–	–	190,237	190,237
Exchange differences arising on translation of foreign operations	–	–	–	–	(342)	–	(342)
Total comprehensive (expense) income for the period	–	–	–	–	(342)	190,237	189,895
Transfer	–	–	–	20,639	–	(20,639)	–
At 30 June 2019 (unaudited)	5,515	458,895	(1)	130,417	3,577	1,051,606	1,650,009

Notes:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL AND BASIS OF PREPARATION

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

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

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

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

The outbreak of the Coronavirus Disease 2019 ("**COVID-19**") in early 2020 and the subsequent quarantine measures and travel restrictions imposed worldwide may have impact on the Group's operations. For the Group's photovoltaic power generation business, the photovoltaic power generation process is not labour intensive and the daily operation of the solar power plant has not been affected. For the Group's sales of lighting products business, there are uncertainties about how the pandemic will evolve as at the date of the condensed consolidated financial statements, the directors of the Company consider that the financial effects on the Group's sales of lighting products business cannot be reasonably estimated and will continue to monitor and assess the impact of COVID-19.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

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

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

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from photovoltaic power generation *(note)*		
– Sales of electricity	**79,896**	79,797
– Tariff adjustment	**227,865**	208,297
Sales of lighting products	**155,074**	167,862
	462,835	455,956

Note: As stated in the sales contract, revenue from photovoltaic power generation included tariff adjustment from the state grid company in the PRC based on the prevailing nationwide government policies on renewable energy for solar power plants. Please refer to note 11 for details.

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

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

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

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

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

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

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

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

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

Segment revenue and results

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

For the six months ended 30 June 2020 (unaudited)

	Photovoltaic power generation *RMB'000*	**Sales of lighting products** *RMB'000*	**Total** *RMB'000*
SEGMENT REVENUE			
External sales	**307,761**	**155,074**	**462,835**
Segment profit	**202,732**	**315**	**203,047**
Unallocated income and gains			**5,536**
Unallocated expenses			
– Administrative and other expenses			**(11,109)**
– Finance costs			**(274)**
Profit before taxation			**197,200**

For the six months ended 30 June 2019 (unaudited)

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

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

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

Geographical information

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

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

	Revenue from external customers		**Non-current assets (other than deferred tax asset, deposit for other borrowing and rental deposit)**	
			As at	As at
	Six months ended 30 June		**30 June**	31 December
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**–**	–	**13,396**	16,827
PRC	**307,761**	288,094	**2,226,559**	2,275,043
United States of America	**155,074**	163,698	**621**	822
Canada	**–**	4,164	**–**	–
Total revenue/non-current assets	**462,835**	455,956	**2,240,576**	2,292,692

4. **FINANCE COSTS**

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on other borrowing	**60,133**	12,036
Imputed interest on amount due to a photovoltaic facilities provider	**11,113**	1,862
Interest on lease liabilities	**395**	191
	71,641	14,089

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**23,710**	24,808
Retirement benefits scheme contributions	**579**	610
	24,289	25,418
Allowance for obsolete and slow moving inventories	**–**	212
Amortisation of intangible asset	**43**	40
Auditor's remuneration	**540**	522
Cost of inventories recognised as expenses	**121,828**	131,528
Depreciation of property, plant and equipment	**50,510**	14,237
Depreciation for right-of-use assets	**2,379**	824
Design and sampling costs, including staff costs of RMB1,508,000 (for the six months ended 30 June 2019: RMB1,352,000)	**2,526**	2,761
Lease classified as short-term lease		
– rented premises	**466**	3,980
– photovoltaic facilities	**–**	36,324

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current taxation:		
– Hong Kong Profits Tax	**65**	234
– PRC Enterprise Income Tax ("**EIT**")	**11,735**	13,197
	11,800	13,431
Overprovision in prior period:		
– Withholding tax in the PRC	**–**	(890)
	–	(890)
Deferred taxation (credit) charge		
– Hong Kong Profits Tax	**(97)**	538
– Withholding tax in the PRC	**–**	13,500
	(97)	14,038
Total	**11,703**	26,579

A subsidiary of the Company, being an enterprise engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, is entitled to tax holiday of 3-year full exemption followed by 3-year 50% exemption commencing from the respective year in which operating profit was derived. The subsidiary of the Company which was engaged in the public infrastructure projects has operating profit since 2016. For the six months ended 30 June 2020, the subsidiary started its second year of the 3-year 50% exemption period. The EIT incurred during the prior period represents the taxation on the government grants received from local government by the PRC subsidiary of the Group in subsidising certain tax payments. The PRC subsidiary is entitled to an income tax rate of 15% as it is eligible as encouraged industries in Western China ("西部地區鼓勵類產業企業").

Deferred taxation on undistributed profits of subsidiaries has been recognised taking into accounts the dividends to be distributed from profits earned by a certain subsidiary in the PRC starting from 1 January 2008 under the Implementation Regulation of the EIT Law of the PRC that requires withholding tax with tax rate ranging from 5% to 10% upon the distribution of such profits to the shareholders. Deferred taxation has not been recognised in respect of certain undistributed retained profits earned by the subsidiaries in the PRC starting from 1 January 2008 amounting to RMB1,002,390,000 (2019: RMB829,741,000) as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

7. DIVIDEND

During the current interim period, no dividend in respect of the year ended 31 December 2019 was declared and paid to the owners of the Company.

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of RMB185,497,000 (30 June 2019: RMB190,237,000) and the number of 663,846,000 ordinary shares (2019: 663,846,000 ordinary shares) of the Company.

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

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

During the current interim period, the Group incurred expenditure of RMB789,000 (For the six months ended 30 June 2019: RMB5,257,000) to acquire property, plant and equipment.

In May 2019, the Group has completed the acquisition of the 350-megawatt photovoltaic power generation equipment (the "**Equipment**") pursuant to the sale and purchase agreement dated 23 March 2019 entered into between the Group and a photovoltaic facilities provider and the finance lease agreement dated 23 March 2019 entered into between the Group and Huaxia Financial Lease Co. Ltd. (the "**Huaxia Financial**"), which is an independent third party to the Group. The consideration for the Equipment under the sale and purchase agreement amounted to approximately RMB2,398,154,000, which included VAT in the amount of approximately RMB330,780,000. The first payment and second payment of the consideration amounting to RMB1,700,000,000 was paid by Huaxia Financial directly to the photovoltaic facilities provider. The third payment of the consideration amounting to approximately RMB698,154,000 would be settled by way of assignment of the benefit of the tariff adjustment receivables by the Group to the photovoltaic facilities provider (the "**Consideration Tariff Adjustment Receivables**"). The Group is obliged to pay the amount received to the photovoltaic facilities provider within ten business days of each receipt from the state grid company, until the entire amount is paid off. In the event that the Group fails to receive the corresponding amount of tariff adjustment receivables due to the PRC policy or other reasons beyond the control of the Group, the Group will not be obliged to pay such amount to the photovoltaic facilities provider and the photovoltaic facilities provider shall have no right to claim any damages against the Group. Since the Group has no legally enforceable right to set off the third payment of the consideration and Consideration Tariff Adjustment Receivables, the Consideration Tariff Adjustment Receivables continued to be included in contract assets. Please refer to note 11 for details.

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

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Trade receivables	**118,488**	119,486
Less: Allowance for expected credit losses	**(785)**	(741)
	117,703	118,745
Other receivables and prepayment	**197,617**	229,810
	315,320	348,555

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

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
0 to 30 days	**49,675**	52,326
31 to 60 days	**35,781**	30,468
61 to 90 days	**21,303**	20,551
Over 90 days	**10,944**	15,400
	117,703	118,745

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

11. CONTRACT ASSETS

As at 30 June 2020, the contract assets represented the tariff adjustment receivables amounting to RMB1,747,560,000 (31 December 2019: RMB1,467,556,000). The amount would be received based on the prevailing national government policies on renewable energy. The contract assets are transferred to trade receivables when the Group's respective operating solar farm is registered in the list of solar power plants that are eligible for the tariff adjustment subsidy (the "**Renewable Energy Project List**") pursuant to prevailing national government policies on renewable energy for solar farms.

The Group's contract assets for the photovoltaic power generation are receivables from the state grid company. The collection of the tariff adjustment receivables is subject to settlement by the state grid company upon registration of the solar power plant in the Renewable Energy Project List by the Group. As the collection of tariff adjustment receivables is expected in the normal operating cycle, which may be more than one year, the receivables are classified as current assets.

In the opinion of the directors of the Company, the revenue recognition of tariff adjustment is proper based on their judgement and taking into account the opinion from the Group's PRC legal advisor, that the Group's operating solar power plant has qualified for registration, and has met all the relevant requirements and conditions for the registration in the Renewable Energy Project List. The directors of the Company are confident that the Group's operating solar power plant is able to be registered in the Renewable Energy Project List in due course and the tariff adjustment receivables are fully recoverable upon the allocation of funds from the PRC government.

The Group is obliged to pay the Consideration Tariff Adjustment Receivables (note 9) amounting to RMB636,133,000 and the assignment of tariff adjustment receivables amounting to RMB300,000,000 to the photovoltaic facilities provider within ten business days of each receipt from the state grid company, until the entire amount is paid off. In the event that the Group fails to receive the corresponding amount of tariff adjustment receivables due to the PRC policy or other reasons beyond the control of the Group, the Group will not be obliged to pay such amount to the photovoltaic facilities provider and the photovoltaic facilities provider shall have no right to claim any damages against the Group. Since the Group has no legally enforceable right to set off the third payment of the consideration and the Consideration Tariff Adjustment Receivables, the Consideration Tariff Adjustment Receivables continued to be included in the contract assets. For the assignment of tariff adjustment receivables, please refer to note 13 for details.

12. TRADE AND OTHER PAYABLES

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Trade payables	**55,251**	48,878
Accrued sales commission	**136**	588
Construction payable	**12,489**	13,793
Other payables and accruals	**11,459**	14,313
	79,335	77,572

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

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
0 to 30 days	**52,806**	46,539
31 to 60 days	**521**	431
61 to 90 days	**16**	230
Over 90 days	**1,908**	1,678
	55,251	48,878

13. AMOUNT DUE TO A PHOTOVOLTAIC FACILITIES PROVIDER

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

The amount due to a photovoltaic facilities provider was recognised at amortised cost and discounted at present value of the estimated future cash flows at 2.68% per annum. During the current interim period, the amount due to a photovoltaic facilities provider amounting to RMB936,132,000 was reclassified from non-current liabilities to current liabilities as the management of the Group consider that the tariff adjustment receivables can be received and the amount due to a photovoltaic facilities provider would be settled within one year.

In addition, the Group has made an advance from the photovoltaic facilities provider amounting to RMB28,760,000 and repaid the advance amounting to RMB20,000,000 during the current interim period. The loan is non-interest bearing, unsecured and repayable on demand.

14. OTHER BORROWING

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Carrying amount repayable as follows (based on the scheduled repayment dates)		
– within one year	**104,199**	31,927
– between one to two years	**184,215**	191,449
– between two to five years	**456,679**	460,023
– between five to ten years	**806,199**	799,917
– after ten years	**98,543**	182,192
	1,649,835	1,665,508
Analysed as		
Current	**104,199**	31,927
Non-current	**1,545,636**	1,633,581
	1,649,835	1,665,508

14. OTHER BORROWING *(Continued)*

The amount represented the first payment and second payment of the consideration amounted to RMB1,700,000,000 as described in note 9 and accrued finance charges. During the current interim period, the Group's other borrowing carries interest at 1.22 times of benchmark interest rate of over five-year borrowing formulated by the People's Bank of China per annum. As at 30 June 2020, the other borrowing is secured by the Group's solar power plant, trade receivables from photovoltaic power generation and tariff adjustment receivables with carrying amount of RMB2,220,211,000, RMB17,307,000 and RMB830,198,000, respectively (31 December 2019: RMB2,269,570,000, RMB8,804,000 and RMB564,432,000, respectively). In addition, the Group has also pledged the issued share capital of 寧夏寶豐光伏發電有限公司, an indirect wholly-owned subsidiary of the Company in favour of Huaxia Financial as a security for the other borrowing and paid a deposit amounting to RMB20,400,000 to Huaxia Financial which could be used to offset the installment repayments, subject to certain conditions.

15. SHARE CAPITAL

	Number of shares	**Share capital** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2019, 31 December 2019 and 30 June 2020	800,000,000	8,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020 (unaudited)	663,846,000	6,638

	At 30 June 2020 ***RMB'000*** **(Unaudited)**	At 31 December 2019 *RMB'000* (Audited)
Shown in the financial statements as	**5,515**	5,515

16. PLEDGE OF ASSETS

The Group's land and buildings with carrying value of RMB521,000 (31 December 2019: RMB554,000) was pledged to a bank to secure banking facilities granted to the Group.

As at 30 June 2020, the other borrowing is secured by the Group's solar power plant, trade receivables from photovoltaic power generation and tariff adjustment receivables with carrying amount of RMB2,220,211,000, RMB17,307,000 and RMB830,198,000, respectively (31 December 2019: RMB2,269,570,000, RMB8,804,000 and RMB564,432,000, respectively). The Group has pledged the issued share capital of 寧夏寶豐光伏發電有限公司, an indirect wholly-owned subsidiary of the Company in favour of Huaxia Financial as a security for the other borrowing.

17. EVENT AFTER REPORTING PERIOD

On 17 June 2020, a proposal to holders of the shares of the Company other than those held by Fung Teng ("**Scheme Shares**") for the privatisation of the Company by way of a scheme of arrangement on Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration therefor, the payment to the holders of the Scheme Shares at the cancellation price of HK$2.60 per Scheme Share payable in cash by East Step International Holdings Limited, a company incorporated in Hong Kong with liability limited, of which the issued share capital is owned by Mr. Dang Yanbao and Fung Teng (the "**Offeror**"), and the withdrawal of the listing of the ordinary shares of the Company on the Stock Exchange, was requested by the Offeror. The scheme of arrangement was approved by the shareholders on 17 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Business

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

Industry Overview

Photovoltaic Power Generation Industry

On 20 January 2020, the Ministry of Finance, the National Development and Reform Commission (the "**NDRC**") of the People's Republic of China (the "**PRC**") and the National Energy Administration (the "**NEA**") jointly issued the Several Opinions on Promoting the Healthy Development of Non-hydro Renewable Energy Power Generation (關於促進非水可再生能源發電健康發展的若干意見) (the "**2020 Opinion**"). Pursuant to the 2020 Opinion, the PRC government will no longer announce new additions to the existing Catalogues.

On 20 January 2020, the Ministry of Finance, the NDRC and the NEA jointly issued the Administrative Measures on the additional subsidies on Renewable Energy Electricity Prices (可再生能源電價附加資金管理辦法) (the "**2020 Administrative Measures**") which was effective on 20 January 2020. It sets out additional measures on providing the subsidies to renewable energy projects. Particularly:

(1) for the renewable energy generation projects launched before the issue of the 2020 Administrative Measures, such projects would be included in the list of subsidised projects after approval by the power grid enterprises;

(2) for the renewable energy generation projects launched after the issue of the 2020 Administrative Measures, the Ministry of Finance shall determine the amount of subsidies based on the amount of the Renewable Energy Development Fund, the technological advancement and the industry development; and

(3) the criteria under which the renewable energy generation projects would be included in the list of subsidised projects includes the following: (i) newly launched projects are required to be counted towards the total renewable energy generation subsidy for the year in which the projects are launched. Existing projects are required to meet the requirements of the NEA, and be included in the annual construction scale management according to the scale management needs; (ii) examination, approval or filing has been completed in accordance with relevant national regulations; compliance with the national renewable energy price policy, and the on-grid electricity price has been reviewed and approved by the pricing authority; (iii) the timetable for grid connection of all the units meets the subsidy requirement; (iv) relevant examination, approval, filing and grid connection requirements have been reviewed and approved by the national renewable energy information management platform.

On 31 March 2020, the NDRC issued the notice in relation to the Policy for Feed-in-Tariff Rate of Photovoltaic Power Generation in 2020 (關於2020年光伏發電上網電價政策有關事項的通知) (the "**2020 Photovoltaic FiT Notice**") which is a further update on the Circular on Improving the Mechanism for Feed-in-Tariff Rate of Photovoltaic Power Generation (關於完善光伏發電上網電價機制有關問題的通知) (the "**2019 Photovoltaic FiT Notice**") and was effective on 1 June 2020. Pursuant to the 2020 Photovoltaic FiT Notice, it has further reduced the guidance rates for utility-scale ground-mounted solar farm stations, which are newly operated in resource zone I, II and III and entitled to national subsidy, to RMB0.35/kWh, RMB0.40/kWh and RMB0.49/kWh, respectively (tax included). If the guidance rates are lower than the local benchmark price of coal-fire power, the guidance rates shall be subject to the local benchmark price of coal-fire power.

The 2020 Photovoltaic FiT Notice does not and is not expected to affect the Group's existing 390 megawatt photovoltaic project in Yinchuan City (the "**Yinchuan Project**"), Ningxia Hui Autonomous Region, the PRC, as the Yinchuan Project commenced operation prior to the publication of the 2019 Photovoltaic FiT Notice. As at the date of this announcement, the Group has completed all filing at the national renewable energy information management platform and is pending the examination from the national renewable energy information management platform. It is expected that the Yinchuan Project would be included in the list of subsidised projects once the approval of the State Grid Corporation of China is obtained and would receive subsidy in accordance with the 2020 Opinion and the 2020 Administrative Measures.

Portable Lighting Products Industry

The competition of the global portable lighting products industry in the first half of 2020 remained fierce. The United States portable lighting products market, which is the principal market of the lighting products of the Group, has been highly saturated with numerous firms selling a diverse range of products manufactured both domestically and internationally.

In relation to the United States-PRC trade war that commenced since 2018, in December 2019, the United States and the PRC signed a phase one trade deal in which the PRC agreed to buy an additional US$200 billion of US goods and services over the next two years. The deal resulted in the suspension of a planned tariff on around US$162 billion in Chinese goods effective from December 2019, with an existing duty on PRC imports worth around US$110 billion reduced to 7.5%. Nevertheless, it is expected that that trading environment of the lighting products industry between the United States and the PRC will continue to be challenging.

Business Review

For the six months ended 30 June 2020, the business of the Group has been integrated into two segments, which are Photovoltaic Power Generation Business and Lighting Products Business.

For the six months ended 30 June 2020, while the Group's revenue increased by approximately 1.5% to approximately RMB462.8 million, profit attributable to the owners of the Company decreased by approximately 2.5% to approximately RMB185.5 million. The decline in profit was mainly due to an increase in depreciation expenses and finance costs after the acquisition of the Equipment (defined below) These negative impacts were partially offset by an increase in gross profit and other income.

Photovoltaic Power Generation Business

During the period under review, the Photovoltaic Power Generation Business continued to bring profits to the Group. In respect of the Yinchuan Project, during the period under review, the Group have been operating the Yinchuan Project at a photovoltaic power generation output capacity of 390 megawatt.

As confirmed by the State Grid Corporation of China, for the six months ended 30 June 2020, the Group has generated an aggregate of 409.2 million kWh power and the Photovoltaic Power Generation Business continued to be the main source of the revenue of the Group, accounting for approximately 66.5% of the Group's total revenue for the six months ended 30 June 2020 (30 June 2019: 63.2%). The aggregated power generated for six months ended 30 June 2020 increased by approximately 7.3% to 409.2 million kWh (30 June 2019: 381.3 million kWh) due to an increase in number of sunny days. In addition, the Photovoltaic Power Generation Business continued to be the main contributor to the profit of the Group, contributing to approximately 99.8% of the Group's total segment profit for the six months ended 30 June 2020 (30 June 2019: 100.8%).

The Group's revenue from the Photovoltaic Power Generation Business for the six months ended 30 June 2020 was approximately RMB307.8 million, which represents an increase of approximately 6.8% from the revenue generated for the corresponding period in 2019 (30 June 2019: RMB288.1 million). The increase of revenue was mainly due to an increase in aggregated power generated as a result of more sunny days during the period under review. The segment profit margin of the Photovoltaic Power Generation Business was approximately 65.9% for the six months ended 30 June 2020 (30 June 2019: 79.8%), and the segment profit decreased by approximately 11.8% to approximately RMB202.7 million (30 June 2019: RMB230.0 million) which was mainly due to an increase in depreciation expenses and finance costs after acquisition of the 350-megawatt photovoltaic power generation equipment, the ancillary facilities, the materials in stock, products and accessories of the Yinchuan Project (the "**Equipment**").

Lighting Products Business

The Group's revenue from the Lighting Products Business for the six months ended 30 June 2020 was approximately RMB155.1 million (30 June 2019: RMB167.9 million), contributing to approximately 33.5% (30 June 2019: 36.8%) of the Group's total revenue, and representing a decrease of 7.6% from the revenue generated in the corresponding period in 2019. The decline in revenue was mainly due to additional tariff imposed by the United States, the outbreak of the novel coronavirus ("**COVID-19**") and the fierce competition in the market. The segment profit margin of Lighting Products Business turned positive to approximately 0.2% for the six months ended 30 June 2020 (30 June 2019: -1.1%) and there was a segment gain of approximately RMB0.3 million (30 June 2019: a segment loss of approximately RMB1.9 million). The segment gain was due to an improvement in gross profit margin resulting from partial refunds of additional tariffs paid in previous years and stringent cost controls implemented by the Group during the period under review.

Impact of novel coronavirus to the Group

The outbreak of the COVID-19 in early 2020 and the subsequent quarantine measures and travel restrictions imposed worldwide may have impact on the Group's operations. For the Photovoltaic Power Generation Business, the photovoltaic power generation process is not labour intensive and the daily operation of the solar power plant has not been affected. For the six months ended 30 June 2020, the Board is not aware of any material adverse impact on the financial performance of the Photovoltaic Power Generation Business as a result of the outbreak of the COVID-19.

For the Lighting Products Business, for the six months ended 30 June 2020, the production lines of the suppliers of the Group for lighting products were suspended for a short period of time after the Chinese new year holidays, and gradually resumed normal production in March 2020. The delivery of certain sales orders of the Lighting Products Business was deferred, resulting a decline in revenue for the six months ended 30 June 2020. Since there are uncertainties about how the pandemic will evolve, the Board considers that the financial effects on the Lighting Products Business cannot be reasonably estimated and will continue to monitor and assess the impact of COVID-19 on the Lighting Products Business. The financial impact, if any, will be reflected in the future financial statements of the Group.

Outlook and Prospects

In the second half of 2020, the Board believes that the Photovoltaic Power Generation Business will continue to be the Group's main profit contributor. Nonetheless, given that considerably less favourable policies issued by the government of the PRC in relation to the photovoltaic power generation industry, the Group will continue to implement costs control measures in the Photovoltaic Power Generation Business in order to maintain reasonable returns.

Photovoltaic Power Generation Business

Further to the issue of the 2020 Opinion and the 2020 Administrative Measures, the Board expects the Yinchuan Project to be included in the list of subsidized projects. It is expected that the Group will receive settlements of tariff adjustment receivables from the PRC government (in which part of them will be paid to the lessor under the finance lease agreement (the "**Finance Lease Agreement**") in relation to the acquisition of the Equipment). It is expected that the COVID-19 would not materially affect the Photovoltaic Power Generation Business for the second half of 2020.

Lighting Products Business

For the second half of 2020, it is expected that the Lighting Products Business will continue to be adversely affected by the additional tariffs imposed by the United States due to uncertainty arising from the United States-PRC trade war, the uncertainty as to the demand of the lighting products of the Group due to the outbreak of COVID-19 and intensified competition in its principal markets. In case the market competition continues to intensify, the Group would deploy its resources efficiently and shift the focus on other segments of the Group so that the Group will generate long term return to the shareholders of the Company (the "**Shareholders**").

Financial Review

Segment Information

The Group reported its financial information by two segments: (i) Photovoltaic Power Generation Business; and (ii) Lighting Products Business. The table below is an analysis of the Group's revenue, segment profit/loss and segment profit margin of its operation by segment for the six months ended 30 June 2019 and 2020.

	For the six months ended 30 June							
	2020				2019			
	Revenue *RMB'000*	**% of revenue**	**Segment profit/ loss** *RMB'000*	**Segment profit margin** *(%)*	Revenue *RMB'000*	% of revenue	Segment profit/ loss *RMB'000*	Segment profit margin *(%)*
Photovoltaic Power Generation Business	**307,761**	**66.5**	**202,732**	**65.9**	288,094	63.2	229,972	79.8
Lighting Products Business	**155,074**	**33.5**	**315**	**0.2**	167,862	36.8	(1,872)	(1.1)
Total	**462,835**	**100.0**	**203,047**	**43.9**	455,956	100.0	228,100	50.0

Revenue

During the six months ended 30 June 2020, revenue of the Group amounted to approximately RMB462.8 million, representing an increase of approximately 1.5% from approximately RMB456.0 million for the six months ended 30 June 2019. Revenue derived from the Photovoltaic Power Generation Business amounted to RMB307.8 million, representing an increase of approximately 6.8% from approximately RMB288.1 million for the six months ended 30 June 2019. The Photovoltaic Power Generation Business continued to be the major contributor to the Group's total revenue. During the six months ended 30 June 2020, the increase of revenue of the Photovoltaic Power Generation Business was mainly due to an increase in aggregated power generated as a result of more sunny days during the period under review. Revenue derived from the Lighting Products Business amounted to RMB155.1 million, representing a decrease of approximately 7.6% from approximately RMB167.9 million for the six months ended 30 June 2019. The Lighting Products Business continued to be impacted by the additional tariff imposed by the United States, the outbreak of the COVID-19 and the fierce competition in the market.

Gross profit and gross profit margin

During the six months ended 30 June 2020, the gross profit of the Group amounted to approximately RMB278.5 million, representing an increase of approximately 7.3% from approximately RMB259.6 million for the corresponding period in 2019. The gross profit margin of the Group increased from approximately 56.9% for the six months ended 30 June 2019 to approximately 60.2% for the corresponding period in 2020. The increase in both gross profit and gross profit margin of the Group for the period was mainly due to a decrease in costs of sales of approximately 6.1% from approximately RMB196.4 million for the six months ended 30 June 2019 to approximately RMB184.4 million for the six months ended 30 June 2020.

Operating costs

During the six months ended 30 June 2020, the total operating cost decreased to approximately RMB38.1 million, representing a decrease of approximately 16.9% from approximately RMB45.8 million for the corresponding period in 2019. The decrease in operating costs was primarily due to stringent cost controls implemented during the period under review.

Finance Costs

The Group recorded finance costs amounting to approximately RMB71.6 million for the six months ended 30 June 2020 (30 June 2019: RMB14.1 million). The increase in finance costs during the period was mainly due to the interest expenses and handling charges under the Finance Lease Agreement and imputed interests arising from the amount due to a photovoltaic facilities provider.

Profit attributable to owners of the Company

Profit attributable to owners of the Company of approximately RMB185.5 million was recorded for the six months ended 30 June 2020, as compared with a profit of approximately RMB190.2 million attributable to owners of the Company for the corresponding period in 2019. The decline in profit was mainly due to an increase in depreciation expenses and finance costs after the acquisition of the Equipment. These negative impacts were partially offset by an increase in gross profit and other income. Earnings per share was RMB27.94 cents for the six months ended 30 June 2020, as compared with earnings per share of RMB28.66 cents for the corresponding period in 2019.

Non-HKFRS Measures

Earnings before interest and taxes, depreciation and amortisation

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

The following table sets forth the reconciliation of the Group's non-HKFRS financial measures for six months ended 30 June 2020 and the corresponding period in 2019 to the nearest measures prepared in accordance with HKFRS:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Reconciliation of profit before taxation to EBITDA:		
Profit before tax	**197,200**	216,816
Add:		
Depreciation of property, plant and equipment	**50,510**	14,237
Depreciation for right-of-use assets	**2,379**	824
Amortisation of intangible asset	**43**	40
Finance costs	**71,641**	14,089
EBITDA	**321,773**	246,006

During the six months ended 30 June 2020, EBITDA of the Company was approximately RMB321.8 million, representing an increase of approximately 30.8% from approximately RMB246.0 million for the corresponding period in 2019. The increase of the EBITDA was mainly due to an increase in revenue and other income derived from the Photovoltaic Power Generation Business, stringent cost controls implemented during the period under review and the increase in other income and other gains.

Liquidity and Financial Resources

As at 30 June 2020, cash and cash equivalents of the Group were approximately RMB190.7 million, representing an increase of 3.8% from approximately RMB183.8 million as at 31 December 2019. This was mainly due to an increase in net cash received from operating activities.

For the six months ended 30 June 2020, the Group's primary source of funding included cash generated from its operating activities and interest bearing borrowing.

As at 30 June 2020, the Group had a total interest bearing borrowing of RMB1,649.8 million which represents the finance lease obligation under the Finance Lease Agreement for a principal lease amount of RMB1,700.0 million to be paid by monthly instalments (plus interests) commencing after a grace period which will expire by 28 January 2021, with the last payment to be made by 28 January 2031 (31 December 2019: RMB1,665.5 million). The Group's current ratio (current asset divided by current liabilities) was 1.97 times as at 30 June 2020, declined from 14.8 times as at 31 December 2019 which was mainly due to reclassification of amount due to a photovoltaic facilities provider from non-current liabilities to current liabilities.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: 20 HK cents (equivalent to RMB18 cents)).

Capital Structure

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

The capital structure of the Group consists of (i) net debt, which includes the interest bearing borrowing and net cash and cash equivalents, and (ii) equity attributable to owners of the Group, comprising issued capital and reserves. As at 30 June 2020, net gearing ratio was 79.9% (31 December 2019: 90.4%). This ratio is based on interest bearing borrowing less cash and cash equivalents divided by total equity.

As at 30 June 2020 and 31 December 2019, the Group has no bank borrowings. There was no bill payable and pledged bank deposit as at 31 December 2019 and 30 June 2020.

As at 30 June 2020, the other interest bearing borrowing which represents the finance lease obligation under the Finance Lease Agreement amounted to RMB1,649.8 million (31 December 2019: RMB1,665.5 million), which carried interests at 5.978% (31 December 2019: 5.978%). The interest rate of the interest bearing borrowing is a floating rate on the benchmark interest rate for loans over 5 years as promulgated by the People's Bank of China. It was guaranteed by the Company and secured by a charge over the entire equity interest in Baofeng Photovoltaic Power Generation Company Limited* (寧夏寶豐光伏發電有限公司) ("**Baofeng Photovoltaic**"), by a charge over all receivables arising from the income of the Yinchuan Project from time to time (other than the amount of tariff adjustment receivables already assigned by Baofeng Photovoltaic), and by a charge over all power generation equipment and ancillary facilities used in the Yinchuan Project, in favour of the lessor.

As at 30 June 2020, the Group's cash and cash equivalents were mainly held in Renminbi, US dollars and HK dollars. The borrowing of the Group were held in Renminbi.

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

Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group did not have any contingent liability.

Significant Investments

The Group did not have any significant investment as at 30 June 2020.

Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 30 June 2020. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as and when appropriate.

Material Acquisitions or Disposals

During the six months ended 30 June 2020, there was no material acquisition or disposal of subsidiaries, associated companies and joint ventures by the Group.

Charges on Assets

The Group's land and buildings with carrying value of RMB0.5 million (31 December 2019: RMB0.6 million) were pledged to a bank to secure banking facilities granted to the Group.

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

Foreign Exchange Exposure

During the period under review, a significant part of the borrowing of the Group under the Finance Lease Agreement was denominated in Renminbi while the Group has transactions invoiced in US dollars and bank balances and cash denominated in HK dollars, and accordingly, the Group was exposed to foreign exchange risk. Save as disclosed herein, the amounts of other foreign currencies involved in the Group's operation for the six months ended 30 June 2020 were insignificant. The Group did not have a foreign currency hedging policy and did not employ any financial instrument for hedging purpose during the six months ended 30 June 2020. However, the management monitored foreign exchange exposure closely to keep the net exposure to an acceptable level.

Capital Commitment

As at 30 June 2020, the Group's capital commitment amounted to approximately RMB1.8 million (31 December 2019: RMB2.7 million) in respect of property, plant and equipment contracted but not provided for.

CORPORATE DEVELOPMENT

On 11 June 2020, the Company has been informed by Mr. Dang Yanbao, the chairman, executive director and a controlling shareholder of the Company, that Mr. Dang Yanbao has transferred the entire issued capital of Fung Teng Enterprises Limited ("**Fung Teng**"), the immediate controlling shareholder of the Company holding 456,150,000 Shares, representing approximately 68.71% of the total issued share capital of the Company, to Mr. Dang Ziwei by way of gift (the "**Transfer**"). Upon the completion of the Transfer on 10 June 2020, Mr. Dang Ziwei, through his shareholding in Fung Teng, became the controlling shareholder of the Company.

On 17 June 2020, East Step International Holdings Limited (the "**Offeror**") requested the Board to put forward a proposal to the holders of Shares, other than those held by Fung Teng (the "**Scheme Shareholders**"), for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Law of the Cayman Islands (the "**Scheme**") involving the cancellation of the Shares other than those held by Fung Teng (the "**Scheme Shares**") and, in consideration therefor, the payment to the Scheme Shareholders of the cancellation price of HK$2.60 in cash for each Scheme Share (the "**Privatisation Proposal**"), and the withdrawal of the listing of the Shares on the Stock Exchange.

For details of the Privatisation Proposal, please refer to the scheme document jointly issued by the Company and the Offeror dated 23 July 2020.

On 17 August 2020, at the meeting of the Scheme Shareholders (the "**Court Meeting**"), the resolution to approve the Scheme was approved by the Shareholder(s) other than the Offeror and any party(ies) acting in concert or presumed to be acting in concert with the Offeror under the Code on Takeovers and Mergers and Share Buy-backs present and voting either in person or by proxy at the Court Meeting.

On 17 August 2020, at the extraordinary general meeting of the Company ("**EGM**"), (i) the special resolution to approve the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares was approved; (ii) the special resolution to approve the withdrawal of the listing of the Shares on the Stock Exchange following the Scheme becoming effective was approved; and (iii) the ordinary resolution to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and to apply the credit arising in the Company's books of accounts as a result of the aforesaid reduction of issued share capital, to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of Scheme, credited as fully paid, for issuance to the Offeror was approved, in each case by the Shareholders present and voting either in person or by proxy at the EGM.

According to the Privatisation Proposal, it is expected that on 3 September 2020, the hearing of the Grand Court of the Cayman Islands to sanction and the confirm the capital reduction will be held. If all conditions of the Privatisation Proposal and the Scheme have been fulfilled or waived (as applicable), the Scheme will become effective on 4 September 2020 and it is expected that the expected withdrawal of the listing of the Shares on the Stock Exchange would become effective on 7 September 2020.

CORPORATE GOVERNANCE

The Company endeavours to maintain a high standard of corporate governance for the enhancement of its Shareholders' value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2020, except for the following:

Under code provision C.2.5 of the CG Code, an issuer should have an internal audit function. For the six months ended 30 June 2020, the Company engaged an external accounting firm in the PRC to carry out internal audit to a subsidiary of the Company involving in the Photovoltaic Power Generation Business, nonetheless, the Company did not have an internal audit function for the entire Group for the period under review. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and close supervision by the management can maintain sufficient risk management and internal control of the Group. However, the Board will review the need to set up an internal audit function from time to time and may set up an internal audit team if the need arises.

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Due to the COVID-19 situation in Hong Kong and in order to reduce health risks to the Shareholders, Mr. Dang Yanbao, the chairman of the Board, who is a PRC resident, did not attend the annual general meeting of the Company held on 29 May 2020.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors shall also attend the general meetings of the Company to gain and develop a balanced undertaking of the views of the shareholders. Due to the COVID-19 situation in Hong Kong and in order to reduce health risks to the Shareholders, Mr. Cheng Hoo, a non-executive Director and Mr. Xia Zuoquan and Mr. Guo Xuewen, the independent non-executive Directors, did not attend the annual general meeting of the Company held on 29 May 2020.

Save as disclosed above, the Board considers that the Company had complied with the code provisions set out in the CG Code of the Listing Rules during the six months ended 30 June 2020.

Compliance with the Model Code for Securities Transactions

During the six months ended 30 June 2020, the Group adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon specific enquiry, each Director confirmed that during his tenure in the six months ended 30 June 2020, he had fully complied with the required standard of dealings and there was no event of non-compliance.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the shares of the Company.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference which have been updated from time to time in compliance with the code provisions set out in the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. As at 30 June 2020, the Audit Committee comprises three independent non-executive Directors, namely Dr. Tyen Kan Hee, Anthony (chairman of the Audit Committee), Mr. Xia Zuoquan and Mr. Guo Xuewen.

The Audit Committee has reviewed, with the management of the Company, the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2020, including the accounting principles and practices adopted by the Group, and discussed the internal controls, going concern issues and financial reporting matters related to the preparation of unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2020.

Publication of Interim Results Announcement for the six months ended 30 June 2020

This announcement for interim results for the six months ended 30 June 2020 is published on the websites of the Company (www.baofengintl.com) and the Stock Exchange (www.hkexnews.hk).

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

Hong Kong, 28 August 2020

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